

FINAL ANNUAL BUDGET OF

MADIBENG LOCAL MUNICIPALITY

NW 372

2014/15 TO 2016/17
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS

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Abbreviations and Acronyms

AMR	Automated Meter Reading	LED	Local Economic Development
ASGISA	Accelerated and Shared Growth Initiative	MEC	Member of the Executive Committee
BPC	Budget Planning Committee	MFMA	Municipal Financial Management Act Programme
CBD	Central Business District	MIG	Municipal Infrastructure Grant
CFO	Chief Financial Officer	MPRA	Municipal Properties Rates Act
MM	Municipal Manager	MSA	Municipal Systems Act
CPI	Consumer Price Index	MTEF	Medium-term Expenditure Framework
CRRF	Capital Replacement Reserve Fund	MTREF	Medium-term Revenue and Expenditure Framework
DBSA	Development Bank of South Africa	NERSA	National Electricity Regulator South Africa
DORA	Division of Revenue Act	NGO	Non-Governmental organisations
DWA	Department of Water Affairs	NKPIs	National Key Performance Indicators
EE	Employment Equity	OHS	Occupational Health and Safety
EEDSM	Energy Efficiency Demand Side Management	OP	Operational Plan
FBS	Free basic services	PBO	Public Benefit Organisations
GAMAP	Generally Accepted Municipal Accounting Practice	PHC	Provincial Health Care
GDP	Gross domestic product	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	PPP	Public Private Partnership
HR	Human Resources	PTIS	Public Transport Infrastructure System
HSRC	Human Science Research Council	RG	Restructuring Grant
IDP	Integrated Development Plan	RSC	Regional Services Council
IT	Information Technology	SALGA	South African Local Government Association
Kl	kilolitre	SAPS	South African Police Service
Km	kilometre	SDBIP	Service Delivery Budget Implementation Plan
KPA	Key Performance Area	SMME	Small Micro and Medium Enterprises
KPI	Key Performance Indicator		
KWh	kilowatt		
l	litre		

Part 1 – Annual Budget

1.1 Executive Mayor's Report

Statement by the Executive Mayor, Cllr F. M Mangoathe during the adoption of the 2014/2015 Annual Budget.

Mmusu Kgotla- Cllr Douglas Maimane

Seme segolo Masepala- Cllr Simon Klaas

Maloko a Komiti Thamaga

Makhanselara

Kemedi ya Segosi

Acting Municipal Manager and Senior Management

Kemedi e e Kgethegileng

Members of Media

The Business Component

Ladies and Gentlemen

All Protocol observed

I greet you all.

Today, the 29th May 2014, the 2014/2015 annual budget marks the third year of our ascendance into public office, and as the collective of politicians and legitimate representatives of the people, we need to recommit ourselves to serve our people under the policy clarion call that says, “**WORKING TOGETHER WE HAVE ACHIEVED MUCH**”.

Honourable Speaker of Council, the transformation agenda of our government informed by the Freedom Charter and the Constitution of the Republic of South Africa, enjoins all of us to involve our communities in programs affecting their lives, because we are a developmental local government driven by the policy notion of “ **People driven and People centred**” system. It is on that basis, that our 2014/2015 annual budget got full and uncompromised expression from communities and all sectors which constitute stakeholders of our Municipality.

Colleagues, and Officials, when we started the process to develop the 2014/2015 budget, we have honestly engaged ourselves into processes of self introspection on our past performance, we have identified weaknesses within the system and those imposed by personalities within the Municipality, and realised that in the main they can be handled if we all pull equally and in the same direction- **KGETSI YA TSIE E KGONWA KE GO TSWARAGANELWA**. These weaknesses or rather challenges, must indeed strengthen us and rekindle our commitment and dedication to serve our people with zeal and renewed vigour.

Madibeng Local municipality is constitutionally obliged to serve the interest of the public and it cannot be the other way round. We have to use limited public resources at our disposal in a manner to tackle the prevalence of inequality, unemployment and poverty within our communities. Our socio-economic programs must be geared towards the creation of self reliant communities, we must ensure that this 2014/2015 annual budget that operates within our Medium Term Revenue and Expenditure Framework, addresses the above inequities.

Honourable Speaker, when we approve this budget, we are confident that objectives laid down in the 30 year vision of the National Development Plan pursued through the objects of local government espoused in chapter 7, section 152 of the Constitution of the Republic of South Africa, that politicians and

beauracrats alike will find it unavoidable to work hand in hand to ensure restoration of dignity to our people through radical social transformation programs, furthermore agreeing that the unity of the people of Madibeng is sacrosanct in order to move with the anticipated speed and towards the predetermined direction. I therefore call upon all of us to unite towards the creation of a better Madibeng.

In building and consolidation of a National Democratic Society, the 2014/2015 annual budget processes, have ensured that our people in all wards including stakeholders are given an opportunity to speak and reflect on the draft budget, and confidently their views have been factored in to ensure a credible budget document which will translate into policy after its adoption.

Our strategic objectives in the long term remain the same, but our tactical and operational approach have been sharpened in order to facilitate a more robust and highly committed Municipal Council of cadres who are informed and passionate about service delivery and who have adopted a zero tolerance to maladministration and poor service rendering.

Mmusa Kgotla, I am humbled by our deliberate and biased approach which we have adopted regarding local economic development. The positive posture we have taken to refine our tactical approach towards the Small and Medium enterprises with special focus on the youth, women and people who are differently-able, is sign of mental realignment to maximise benefit to our people especially those have been marginalised from the economic mainstream. We must take advantage of the newly created Ministry charged to focus on Small Business Development to create our own pool of young entrepreneurs.

Colleagues, the time to consolidate our political posture in redressing the skewed property relations within our municipality through progressive and sustainable interventions is now.

Honourable Speaker, in doing these things, we need to define our role within the broader structural transformation of production and ownership. I was made to believe that there are portions of agricultural lands belonging to the municipality. These pockets of lands are being worked; food is being produced from them, but at no direct benefit to the municipality. We must have a way in which young people aspiring to venture into farming benefit from these public assets. **“NTIMILE MOGOLO O MPHELE NGWANA”**, because the youth are our future leaders, as such, we are obliged to develop them in every possible way.

This budget, has responded adequately not conclusively to infrastructure roll out, because with the R265, 678 million available, we will ensure, the provision of quality, portable, sustainable water, electricity, roads, sanitation and other social amenities.

Mmusa Kgotla, given yet another newly established Ministry on Water and Sanitation as a focus area, I am confident that the past challenge of water which has bedevilled our people comes handy in tackling this question once and for all.

We will work together with our communities including organised formations and traditional authorities so that as we roll out the infrastructure investment, in the same note, we also consolidate our hard earned democracy and freedom as such build onto the democratic state.

Colleagues, during interactions with communities, we heard their concerns, including the fact that our procurement policy do not accommodate locally based providers or it fails to appreciate existing capacity at that level. We need to interrogate such allegations with the hope of correcting the situation, because we are duty bound to empower and create more opportunities for local business.

Acting Municipal Manager, we still experience challenges in relation to revenue enhancement. This legislative requirement requires the involvement of all, Councillors, Officials, Communities and

Community Based Organisations to join hands to educate on the importance of taking responsibility to pay for services rendered.

Mmusa Kgotla, I implore those departments within the municipality with the core functions to lead the program of revenue generation, that they must do their part without compromise, because **“KGETSI YA DITLHABOLOGO GA E TLALE”**.

As I conclude, I wish to recommit our Municipality towards the fulfilment to objects of local government and assure our communities that we will continue serve them without fail.

On behalf of our Council let me also congratulate Comrade Supra Moeletsi Mahumapelo for his appointment as the Premier of our beautiful province, and wish him together with his collective all of the best in the task of transformation bestowed to them.

Ke leboga maitsapo a botlhe bao ba tsereng karolo mo go netefatseng gore lenaane la go bopa katlenegiso kabo ya 2014/2015 le a atlega. My special thanks goes to our communities who remain understanding, our business fraternity, Magosi, Religious Communities who are forever willing to walk this walk with us.

Acting Municipal Manager-Rre Motlashuping and your public corps, the CFO-Mme Tondy Nkuna and your unit, we thank you for having spent sleepless nights as you crafted our 2014/2015 annual budget.

Colleagues, Mmusa Kgotla, Municipal Manager, here is our 2014/2015 annual budget for adoption.

Ke a leboga.

1.2 Council Resolutions (A.0516)

RESOLVED

1. That the Madibeng Local Municipality, acting in terms of section 24 of the Municipal Finance Management Act, (Act 56 of 2003) approves and adopts:
 - 1.1 The final annual budget of the municipality for the financial year 2014/15 and the multi-year and single-year capital appropriations as set out in the following tables:
 - 1.1.1 Budgeted Financial Performance (revenue and expenditure by standard classification) as contained in Table 16;
 - 1.1.2 Budgeted Financial Performance (revenue and expenditure by municipal vote) as contained in Table 17;
 - 1.1.3 Budgeted Financial Performance (revenue by source and expenditure by type) as contained in Table 18; and
 - 1.1.4 Multi-year and single-year capital appropriations by municipal vote and standard classification and associated funding by source as contained in Table 19.
 - 1.2 The financial position, cash flow budget, cash-backed reserve/accumulated surplus, asset management and basic service delivery targets are approved as set out in the following tables:

- 1.2.1 Budgeted Financial Position as contained in Table 20;
 - 1.2.2 Budgeted Cash Flows as contained in Table 21;
 - 1.2.3 Cash backed reserves and accumulated surplus reconciliation as contained in Table 22;
 - 1.2.4 Asset management as contained in Table 23; and
 - 1.2.5 Basic service delivery measurement as contained in Table 24.
2. That the Council of Madibeng Local Municipality, acting in terms of section 75(a) of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014:
 - 2.1 the tariffs for property rates – as set out in Annexure A
 - 2.2 the tariffs for the supply of water – as set out in Annexure A
 - 2.3 the tariffs for the supply of electricity – as set out in Annexure A
 - 2.4 the tariffs for sanitation services – as set out in Annexure A
 - 2.5 the tariffs for solid waste services – as set out in Annexure A
 - 2.6 the revised tariff policy- as set out in Annexure Q
 - 2.7 The revised credit control and debt collection policy – as set in Annexure H
3. That the Madibeng Local Municipality, acting in terms of 75A of the Local Government: Municipal Systems Act (Act 32 of 2000) approves and adopts with effect from 1 July 2014 the tariffs for other services, as set out in Annexure R.
4. That, to give proper effect to the municipality's annual budget, the Madibeng Local Municipality approves:
 - 4.1 That cash backing is implemented through the utilisation of a portion of the revenue generated from property rates to ensure that all capital reserves and provisions, unspent long-term loans and unspent conditional grants are cash backed as required in terms of the municipality's funding and reserves policy as prescribed by section 8 of the Municipal Budget and Reporting Regulations;
 - 4.2 That the salaries for officials be adjusted with effect from 1st July 2014 based on the percentage as approved by the South African Local Government Bargaining Council (Excluding Section 57 Mangers). That the salary packages of the Municipal Manager and Section 56 managers be adjusted with the same percentage as that of the officials with effect from 1 July 2014.
 - 4.3 That the salaries and allowances of councillors be adjusted with the percentage approved by the Minister for Cooperative Governance and Traditional Affairs in terms of the Remuneration of Public Office Bearers Act, 1998 after concurrence of the responsible MEC have been obtained.
 - 4.4 That the amendments to the Budget related policies be approved as discussed in paragraph 2.4 of **Annexure "A"** and indicated in the policy documents contained in the separate policy bundle.

1.3 Executive Summary

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. The 2013/14 revised budget focussed on saving measures, reprioritising of projects and an increased provision for bad debts to counter low cost recovery.

National Treasury's MFMA Circulars No. 51, 54, 55, 58, 59, 66, 67, 70, 71 and 72 were used to guide the compilation of the 2013/14 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, electricity, roads and community infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- The increased cost of bulk water and electricity (due to tariff increases from water suppliers and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable - as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2014/15 to 2016/2017 MTREF:

- The 2013/14 Budget priorities and targets, as well as the base line allocations contained in that Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- Heads of departments as well as political offices should exercise strict control over the under mentioned expenditure:
 - Special Projects;
 - Consultant Fees;

- Special Events;
- Refreshments and entertainment;
- Ad-hoc travelling;
- Subsistence, Travelling & Conference fees (national & international) and
- Telephone expenses.

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Medium-term Revenue and Expenditure Framework:

TABLE 1: CONSOLIDATED OVERVIEW OF THE 2014/2015 MTREF

Description	Adjusted Budget	Budget Year 2014/2015	Budget Year +1 2015/2016	Budget Year +2 2016/2017
	R,000	R,000	R,000	R,000
Total Operating Revenue	1 212 010	1 394 012	1 534 394	1 643 239
Total Operating Expenditure	1 212 010	1 393 932	1 534 244	1 642 939
Surplus/(Deficit) for the year	0	80	150	300
Total Capital Expenditure	254 636	265 678	288 328	293 264

Total operating revenue has grown by R 182 million for the 2014/15 financial year when compared to the 2013/14 Adjustments Budget. For the two outer years, operational revenue will increase by R 140,3 million and R 108,8 million respectively. Operating surpluses are nominal over the MTREF.

Total operating expenditure for the 2014/5 financial year has been appropriated at R1 393 932 million and translates into a budgeted surplus of R 80 000 thousand. When compared to the 2013/14 Adjustments Budget, operational expenditure has grown by R 181,9 million in the 2014/15 budget and by R 140.3 million and R108.6 million for each of the respective outer years of the MTREF.

The capital budget of R265 678 million for 2014/15 is 4,33 per cent higher when compared to the 2013/14 Adjustment Budget. The capital programme increase to R288 328 million in the 2015/16 financial year and slightly increase to R293 264 million in the 2016/2017 financial year. A small portion of the capital budget will be financed through borrowing in the 2014/15 financial year to finance essential plant and equipment. Note that the municipality has reached its prudential borrowing limits and so there is very little scope to substantially increase these borrowing levels over the medium-term. Consequently, the capital budget remains relatively flat over the medium-term.

1.4 OPERATING REVENUE FRAMEWORK

For Madibeng Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in Madibeng and continued economic development;
- Efficient revenue management, which aims to ensure a 75 per cent annual collection rate for property rates and other key service charges;
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and the implementation of a new valuation roll on 1st July 2014;
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

TABLE 2 SUMMARY OF REVENUE CLASSIFIED BY MAIN REVENUE SOURCE

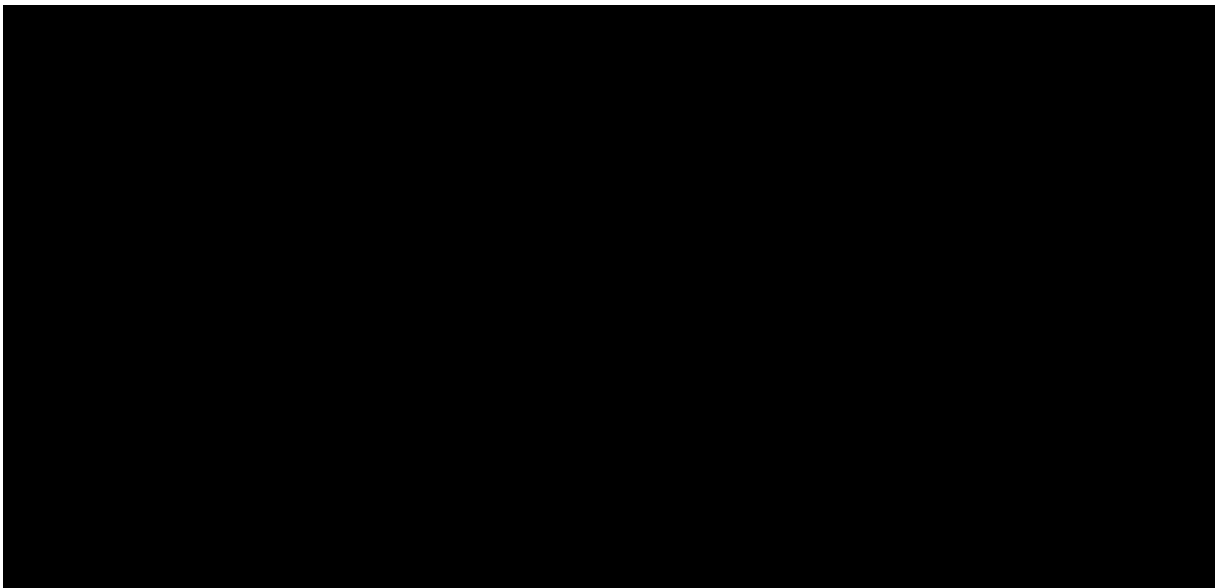
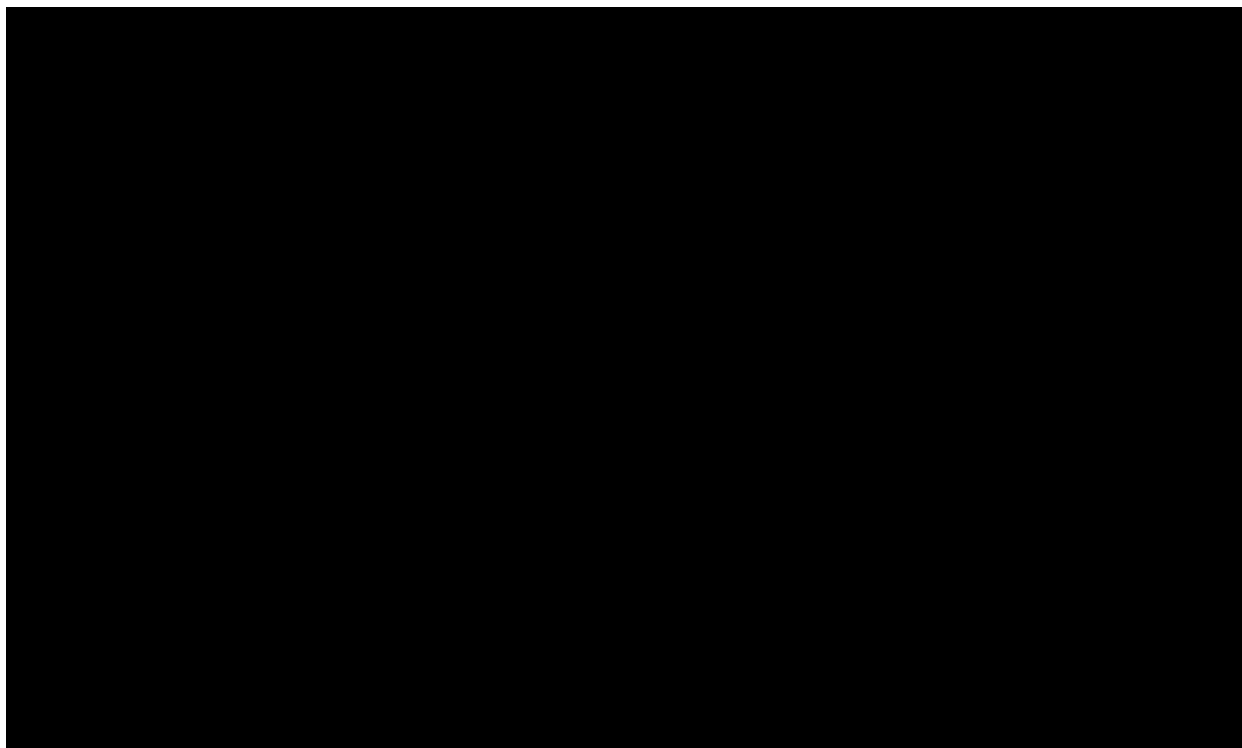


TABLE 3: PERCENTAGE GROWTH IN REVENUE BY MAIN REVENUE SOURCE

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

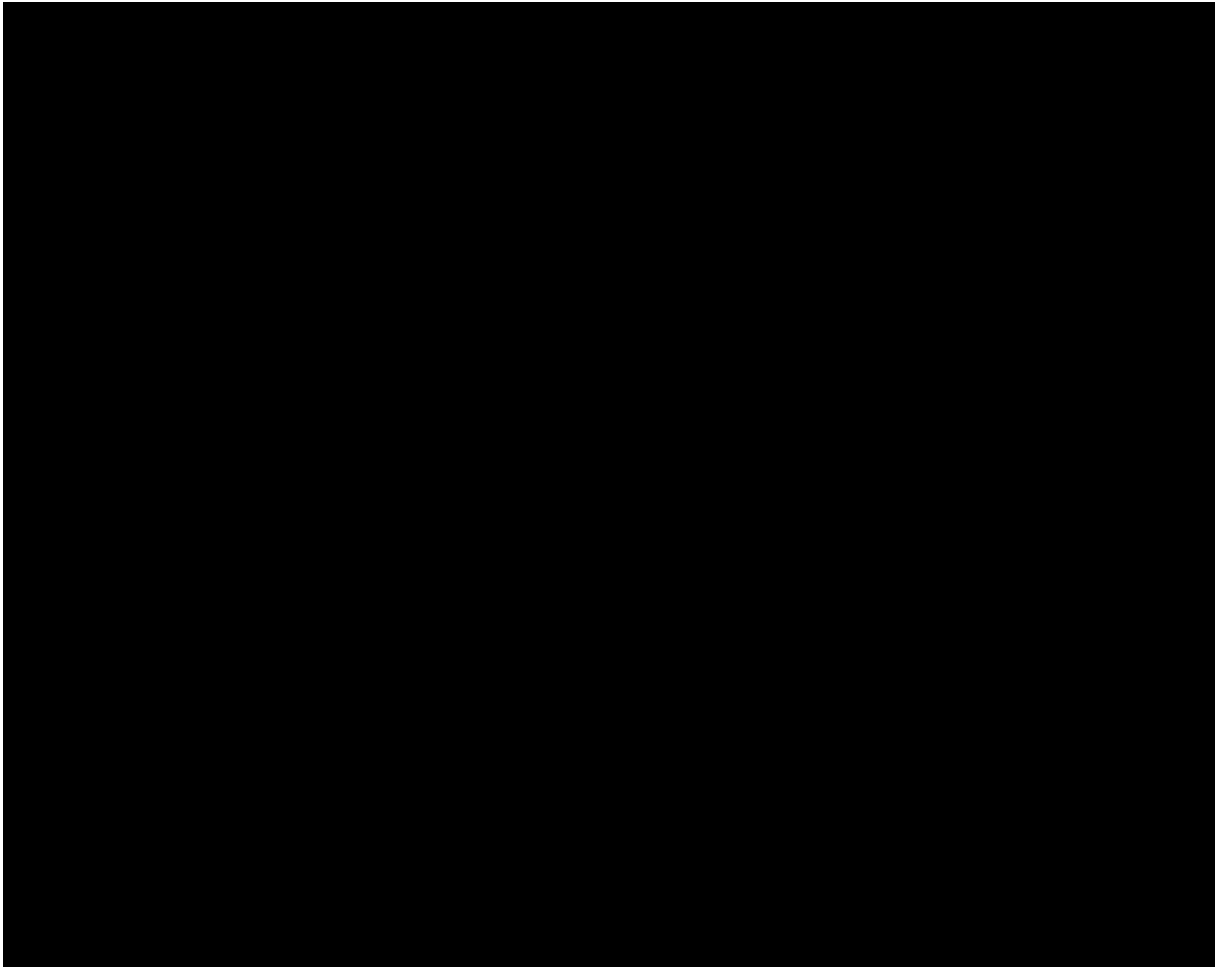
Revenue generated from rates and services charges forms the largest portion of the municipality's revenue mix. Local revenue such as property rates and service charges contributes 73.03 percent to the municipality's revenue stream. Details in this regard are contained in Table 64 MBRR SA1.

Water and electricity sales is the largest revenue source of the municipality totalling R550.9 million in 2014/15 and increase steadily to R580.7 million in 2015/16. Property rates is the second largest revenue source totalling R330 million and increases to R347 million by 2015/16. The third largest source is 'other revenue' which consists of various items such as income received from permits and licenses, building plan fees, connection fees, traffic fines and advertisement fees. Departments have been urged to review the tariffs of these items on an annual basis to ensure they are cost reflective and market related.

GRANTS

Operating grants and transfers totals R375 958 million in the 2014/15 financial year and increases to R461,473 million by 2015/16. Note that the year-on-year growth for the 2014/15 financial year is 35,31 per cent and then increases with 22,6 and 11 per cent in the two outer years. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

TABLE 4 OPERATING TRANSFERS AND GRANT RECEIPTS



Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of the municipality.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6 per cent upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

The percentage increase of both water suppliers and Eskom bulk tariffs are far beyond the mentioned inflation targets. Given that these tariff increases are determined by external agencies, the impacts they have on the tariffs structure are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilised for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the

municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the municipality has undertaken the tariff setting process relating to service charges as follows.

1.4.1 PROPERTY RATES

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value. All residential properties with a market value of R 50 000 and less will be excluded from the rate-able value. (Section 17(h) of the MPRA).
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2013/14 financial year based on a 6 per cent increase from 1 July 2014 is contained below. It must be noted that a new valuation roll becomes effective on the 1st July 2014. Tariffs have been adjusted to yield a total increase of 6 per cent per annum on the new valuation.

TABLE 5 COMPARISON OF PROPOSED RATES TO BE LEVIED FOR THE 2014/15 FINANCIAL YEAR

1. ASSESSMENT RATES				
CATEGORIES	Current Tariff	Proposed Tariff	Proposed Tariff	Proposed Tariff
	1-Jul-13	1-Jul-14	1-Jul-15	1-Jul-16
RANDAGE - RATE IN THE RAND	0.011954			
1.1 RESIDENTIAL PROPERTIES				
1.1.1 RESIDENTIAL	0.008368	0.008872	0.009351	0.009856
1.1.2 PRIVATELY OWNED TOWNS SERVICED BY THE OWNER	0.008368	0.008872	0.009351	0.009856
1.1.3 PRIVATE DEVELOPED RESIDENTIAL TOWNSHIPS	0.008368	0.008872	0.009351	0.009856
1.1.4 VACANT RESIDENTIAL PROPERTIES	0.011954	0.012688	0.013373	0.014095
1.1.6 INDIGENT RESIDENTIAL PROPERTIES -	100%	100%	100%	100%
1.1.5 PENSIONERS AND DISABLE PERSONS	0.008368	0.004410	0.004648	0.004899
1.2 MUNICIPAL PROPERTIES	100%	100%	100%	100%
1.3 PUBLIC SERVICE INFRASTRUCTURE	100%	0.002218	0.002338	0.002464
1.5 PUBLIC BENEFIT ORGANISATIONS	100%	0.002218	0.002338	0.002464
1.6 CHARITABLE INSTITUTIONS	100%			
1.7 CULTURAL INSTITUTIONS	100%			
1.8 EDUCATIONAL INSTITUTIONS- PRIVATE	-0.005977	0.012688	0.013373	0.014095
	-0.005977	0.012688	0.013373	0.014095
1.9 HEALTH CARE INSTITUTIONS				
	-0.005977	0.012688	0.013373	0.014095
1.5.6 MUSEUMS, LIBRARIES, ART GALERIES AND BOTANICAL GARDENS	100%			
1.10 PUBLIC ROADS	0.000000			
1.11 COMMUNAL LAND	0.000000			
1.12 INDUSTRIAL PROPERTIES	0.011954	0.012688	0.013373	0.014095
1.13 BUSINESS AND COMMERCIAL	0.011954	0.012688	0.013373	0.014095
1.14 MINING	0.011954	0.012688	0.013373	0.014095
1.15 PLACES OF PUBLIC WORSHIP	100%	100%	100%	100%
1.16 PRIVATE ROADS				
1.17 PRIVATE OPEN SPACES	-0.005977	0.008853	0.009331	0.009835
1.18 AGRICULTURAL LAND -	-0.002032	0.002218	0.002338	0.002464
1.19 STATE OWNED PROPERTIES: e.g.	0.011954	0.012688	0.013373	0.014095
residential		0.008853	0.009331	0.009835
agriculture		0.002218	0.002338	0.002464
business		0.012688	0.013373	0.014095
1.20 NON-PERMITTED USE		0.04427	0.046657	0.049177
Property affected by disaster or partial or total destruction		0.006300	0.006640	0.006998

1.4.2 SALE OF WATER AND IMPACT OF TARIFF INCREASES

South Africa faces similar challenges with regard to water supply as it does with electricity, since demand growth outstrips supply. Consequently, National Treasury is encouraging all municipalities to carefully review the level and structure of their water tariffs to ensure:

- Water tariffs are fully cost-reflective – including the cost of maintenance and renewal of purification plants, water networks and the cost associated with reticulation expansion;
- Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and
- Water tariffs are designed to encourage efficient and sustainable consumption.

In addition National Treasury has urged all municipalities to ensure that water tariff structures are cost reflective by 2014.

Better maintenance of infrastructure, new infrastructure construction and cost-reflective tariffs will ensure that the supply challenges are managed in future to ensure sustainability. Rand Water and the City of Tshwane has increased its bulk tariffs with 8.1 and 10 per cent respectively from 1 July 2014, which increase contributes to approximately 31 per cent of the municipality water input cost.

A tariff increase of 18 per cent from 1 July 2014 for water is proposed. This is based on input cost assumptions of 9 per cent increase in the cost of bulk water (Rand Water and City of Tshwane), as well as a report submitted by the Manager Water and Sanitation on the restructuring of the water and sanitation tariffs with the view to comply with National Treasury's requirements to have cost reflective tariffs in place for the 2014/2015 MTREF.

A summary of the proposed tariffs for households (residential) and non-residential are as follows (VAT Exclusive):

TABLE 6 PROPOSED WATER TARIFFS

The charges set out in this schedule will be levied in respect of each separate connection of Water in different categories (cost per kl Water) as determined in the Water By-laws of the Local Municipality of Madibeng.					
CATEGORIES	Consumption Level / Charge	Current Tariff	Proposed Tariff	Proposed Tariff	Proposed Tariff
		2013/2014 R	2014/2015 R	2015/2016 R	2015/2016 R
2.1 RESIDENTIAL PROPERTIES					
2.1.1 VACANT RESIDENTIAL STANDS PROVISO - All vacant residential stands, where a Local Municipality Water Supply is available, whether connected to the Local Municipality's water reticulation system or not and irrespective of whether water is used or not.	Basic Service Fee	38.23	45.11	47.55	50.12
2.1.2 RESIDENTIAL PROPERTIES PROVISO - Residential consumers will get 6 kilo liters water free if such consumer uses 6 kilo liters of water or less.	Charges in Blocks where lowest tariff is equal to cost				
	0 - 6kl per month	6.51	7.69	8.10	8.54
	Above 6 - 10kl per month	8.26	9.75	10.27	10.83
	Above 10 - 15kl per month	11.56	13.65	14.38	15.16
	Above 15 - 20kl per month	12.27	14.48	15.26	16.09
	Above 20 - 30kl per month	13.69	16.15	17.02	17.94
	Above 30 - 40kl per month	14.40	16.99	17.90	18.87
	Above 40 - 60kl per month	16.05	18.94	19.96	21.04
	Above 60kl per month	17.70	20.89	22.01	23.20
2.1.4 PRIVATE DEVELOPED RESIDENTIAL TOWNSHIP PROPERTIES BULK SUPPLY including FLATS	Residential Bulk Tariff-				
11.1.5 INDIGENT RESIDENTIAL PROPERTIES - PROVISO : Provided that such owner is a registered Indigent as provided for in the Indigent Policy of the Municipality	First 6 Kiloliters of Water Free of Charge	6.51	7.69	8.10	8.54
	Above 6 - 10kl per month	8.26	9.75	10.27	10.83
	Above 10 - 15kl per month	11.56	13.65	14.38	15.16
	Above 15 - 20kl per month	12.27	14.48	15.26	16.09
	Above 20 - 30kl per month	13.69	16.15	17.02	17.94
	Above 30 - 40kl per month	14.40	16.99	17.90	18.87
	Above 40 - 60kl per month	16.05	18.94	19.96	21.04
	Above 60kl per month	17.70	20.89	22.01	23.20
11.1.6 PENSIONERS OVER THE AGE OF SIXTY (60) (MONTHLY INCOME R6500.00)	Same tariff framework as indigents			-	-
2.3 MUNICIPAL PROPERTIES PROVISO : Properties other than Residential properties and/or properties used for Municipal activities only and /or Vacant land	Same Tariff Framework as Residential Bulk Tariff	9.50	10.50	11.07	11.66
2.5 PUBLIC BENEFIT ORGANISATIONS	Same Tariff Framework as	9.50	10.50	11.07	11.66

PROVISO : Public Benefit Organisations may apply for the exemption of property rates, subject to producing a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962):	Residential Bulk Tariff				
2.5.4 EDUCATIONAL INSTITUTIONS	Same Tariff Framework as Residential Bulk Tariff	9.50	10.50	11.07	11.66
PROVISO : Private Property belonging to educational institutions other than government declared, subsidised or registered by law, including Independent schools where such Property is used by registered independent schools for educational purposes only.				-	-
2.5.5 HEALTH CARE INSTITUTIONS	Same Tariff Framework as Residential Bulk Tariff	9.50	10.50	11.07	11.66
PROVISO : Properties used exclusively as a hospital, clinic and mental hospital, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality other than government funded institutions.				-	-
2.6 PUBLIC ROADS	Not Applicable			-	-
2.7 COMMUNAL LAND	Fixed Charge per month per stand	343.00	404.74	426.60	449.63
PROVISO : Definition for "Land Reform Beneficiary", as well as the provisions of section 17(1)(g) of the Act, refers.				-	-
2.8 INDUSTRIAL PROPERTIES	Fixed Tariff per Kiloliter	10.78	10.45	11.01	11.61
2.9 VACANT INDUSTRIAL STANDS	Water Availability Charge	281.60	332.29	350.23	369.14
PROVISO - All vacant Industrial stands, where a Local Municipality Water Supply is available, whether connected to the Local Municipality's water reticulation system or not and irrespective of whether water is used or not.				-	-
2.10 BUSINESS AND COMMERCIAL	Same Tariff Framework as Residential Bulk Tariff	9.50	10.50	11.07	11.66
2.11 VACANT BUSINESS STANDS	Water Availability Charge	140.80	166.14	175.12	184.57
PROVISO - All vacant Business stands, where a Local Municipality Water Supply is available, whether connected to the Local Municipality's water reticulation system or not and irrespective of whether water is used or not.				-	-
2.12 MINING	Same Tariff Framework as Industrial Bulk Tariff	10.78	10.45	11.01	11.61
2.13 PLACES OF PUBLIC WORSHIP2	Same Tariff Framework as Residential Bulk Tariff	9.50	10.50	11.07	11.66
2.14 AGRICULTURAL LAND	Same Tariff Framework as Residential Bulk Tariff	9.50	10.50	11.07	11.66
2.16 CONNECTIONS AND RECONNECTIONS ALL CATEGORIES	For the use of a connecting pipe: The actual cost of material, labour and transport calculated on the basis of the main water pipe being situated on the centre line of the street.			-	-
	For the reconnections of the supply after the supply was disconnected upon request of the consumer, the connecting sealed and the meter removed, a Fixed charge will be payable as per the tariff schedule and an amount as per the Tariff schedule must be paid in advance. Should any such or another occupant request that the meter be re-installed and the supply be reconnected, a fixed charge as determined in the Tariff schedule.	487.08	574.75	605.79	638.50
2.17 TAMPERING BY ILLEGAL CONNECTIONS, BY-PASSING OF METER, METERS OR METERING EQUIPMENT, AND ANY OTHER TAMPERING - ALL CATEGORIES OF USERS EXCEPT BUSINESS AND INDUSTRIAL	First offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.	5500.00	6490.00	6,840.46	7,209.84
	Second offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.	11000.00	12980.00	13,680.92	14,419.69

2.18 TAMPERING BY ILLEGAL CONNECTIONS, BY-PASSING OF METER, METERS OR METERING EQUIPMENT, AND ANY OTHER TAMPERING - BUSINESS AND INDUSTRIAL	First offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.	110000.00	129800.00	136,809.20	144,196.90
	Second offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.	275000.00	324500.00	342,023.00	360,492.24
2.19 METERS CONNECTIONS ALL CATEGORIES	For the installation of a meter: The estimated cost of the meter, plus labour and transport, plus an administrative surcharge of 15% on such amount.			-	-
	For the use of a portable meter per day or part thereof	366.96	433.01	456.40	481.04
	For the supply of water by a portable meter: The charge payable in terms of the abovementioned paragraph PLUS usage as per Tariff Schedule per Category of User	1.10	1.30	1.37	1.44
	For a special meter reading on request of a consumer a fixed charge as determined per the Tariff schedule	80.52	95.01	100.14	105.55
	Registration by meter shall be considered correct if not more than 5% over or under registered			-	-
2.20 TESTING OF TAPS, BALL VALVES AND FLUSHING VALVES – ALL CATEGORIES OF USERS	Testing and stamping of equipment Cost as determined in the Tariff schedule	237.60	280.37	295.51	311.47
2.21 FIRE EXTINGUISHING SERVICES – ALL CATEGORIES OF USERS	In terms of Section 74(1) and (3) of the Council's Water Supply By-laws. For the inspection and maintenance of connecting pipes and installations: Estimated cost as determined by the engineer plus an administrative surcharge of 15% on such amount.			-	-
	In terms of Section 76(2) of the Council's Water Supply By-laws. Resealing of each hydrant, hose-reel connection or any other tap supplied for fire extinguishing purposes:	124.08	146.41	154.32	162.65
2.23 WATER CONNECTION – ALL CATEGORIES OF USERS				-	-
20 mm Residential connection	Charges as determined per Tariff schedule	3194.40	3769.39	3,972.94	4,187.48
50 mm Connection	Applications will be directly made to the Infrastructure & Technical Department as prices of meters escalate from time to time.			-	-
75 mm Fire Connection	Applications will be directly made to the Infrastructure & Technical Department as prices of meters escalate from time to time.			-	-
100 mm Fire Connection	Applications will be directly made to the Infrastructure & Technical Department as prices of meters escalate from time to time.			-	-
150 mm Fire Connection	Applications will be directly made to the Infrastructure & Technical Department as prices of meters escalate from time to time.			-	-
Any other connection	Applications will be directly made to the Infrastructure & Technical Department as prices of meters escalate from time to time.			-	-
Moving of water meter	Applications will be directly made to the Infrastructure & Technical Department as prices of meters escalate from time to time.	2494.80	2943.86	3,102.83	3,270.39
2.24 BULK SERVICES CONTRIBUTION	Applications will be directly made to the Infrastructure & Technical Department as prices escalate from time to time.			-	-
New township development				-	-

The following table shows the impact of the proposed increases in water tariffs on the water charges for a single dwelling-house:

TABLE 7 COMPARISON BETWEEN CURRENT WATER CHARGES AND INCREASES (DOMESTIC)

Monthly Consumption	Current amount Payable	Proposed amount Payable	Difference (Increase)	Percentage Change
0 - 6kℓ per month	6.51	7.69	1.18	18.12 %
Above 6 - 10kℓ per month	8.26	9.75	1.49	18.03%
Above 10 - 15kℓ per month	11.56	13.65	2.09	18.07%
Above 15 - 20kℓ per month	12.27	14.48	2.21	18.01%
Above 20 - 30kℓ per month	13.69	16.15	2.46	17.96%
Above 30 - 40kℓ per month	14.40	16.99	2.59	17.98%

The tariff structure of the 2014/15 financial year has been changed. The new tariff structure is designed to charge higher levels of consumption at a higher rate. The proposal by National Treasury that water tariffs must be fully cost reflective by 2014 will be applied during the current investigation process on water losses. The final report prepared by the Manager Water and Sanitation will be submitted as a separate item and are based on the principals of full cost recovery.

It must be noted that the distribution losses on water is extremely high and urgent steps needs to be taken to reduce losses on this very scares commodity.

1.4.3 ELECTRICITY TARIFFS AND IMPACT ON TARIFF INCREASES

As announced by NERSA and National Treasury (Paragraph 4.3 of Budget Circular 72) municipalities may expect a tariff increase of 8.06 percent in the cost of bulk electricity purchases. A tariff increase of 7,39 percent is proposed from 1 July 2014.

TABLE 8 COMPARISON BETWEEN CURRENT ELECTRICITY CHARGES AND INCREASES

5. ELECTRICITY						
CATEGORIES	DESCRIPTION	TARIFF	Current Tariff	Proposed Tariff	Proposed Tariff	Proposed Tariff
			2013/2014 R	2014/2015 R	2015/2016 R	2016/2017 R
Tariff is applicable to all consumers within the area of the Local Council with exception where Eskom is the direct supply authority. If any doubt in respect of the correct tariffs applicable to a consumer, the ruling of the Council will be final.						
5.1 TARIFF A: SMALL LOW VOLTAGE SUPPLY (COMMERCIAL)						
The following charges shall be payable, per month:						

COMMERCIAL AND BUSINESS A service charge, whether electricity is consumed or not, per metering point as determined per the Tariff Schedule.		Fixed charge	80.11	86.03	90.68	95.57
A demand charge, whether electricity is consumed or not, based on the maximum supply available as determined by means of tariff circuit breaker on the Council's metering panel in accordance with the following ratings.		Fixed charge per ampere			-	-
SINGLE PHASE	AMPERE				-	-
	1 x 10 A	Fixed charge	112.80	121.10	127.64	134.53
	1 x 15 A	Fixed charge	169.20	181.65	191.46	201.80
	1 x 20 A	Fixed charge	225.60	242.20	255.28	269.06
	1 x 30 A	Fixed charge	338.40	363.30	382.92	403.60
	1 x 40 A	Fixed charge	451.20	484.40	510.56	538.13
	1 x 50 A	Fixed charge	564.00	605.50	638.20	672.66
	1 x 60 A	Fixed charge	676.80	726.60	765.84	807.19
	1 x 70 A	Fixed charge	789.60	847.70	893.48	941.72
	1 x 80 A	Fixed charge	902.40	968.80	1,021.12	1,076.26
THREE PHASE	AMPERE					
	3 x 20 A	Fixed charge	741.60	796.20	839.19	884.51
	3 x 30 A	Fixed charge	1112.40	1194.30	1,258.79	1,326.77
	3 x 40 A	Fixed charge	1483.20	1592.40	1,678.39	1,769.02
	3 x 50 A	Fixed charge	1854.00	1990.50	2,097.99	2,211.28
	3 x 60 A	Fixed charge	2224.80	2388.60	2,517.58	2,653.53
	3 x 70 A	Fixed charge	2595.60	2786.70	2,937.18	3,095.79
	3 x 80 A	Fixed charge	2966.40	3184.80	3,356.78	3,538.05
The following combinations and charges shall apply only to existing supplies:					-	-
	3 x 90 A	Fixed charge	3337.20	3582.90	3,776.38	3,980.30
	3 x 100 A	Fixed charge	3708.00	3981.00	4,195.97	4,422.56
Where applicable, an additional fixed charge per month		Fixed charge	80.11	86.03	90.68	95.57
5.2 TARIFF B: SMALL LOW VOLTAGE SUPPLY (DOMESTIC)					-	-
The following charges shall be payable, per month					-	-
(a) Per metering point as determined per the Tariff Schedule.					-	-
(b) A service charge, whether electricity is consumed or not, per metering point as determined per the Tariff Schedule.					-	-
DOMESTIC					-	-
VACANT DOMESTIC STANDS		Fixed charge	92.07		-	-
A service charge, whether electricity is consumed or not, per metering point as determined per the Tariff Schedule.		Fixed charge	80.11	86.03	90.68	95.57
INDIGENT RESIDENTIAL PROPERTIES – PROVISO : Provided that such owner is a registered Indigent as provided for in the Indigent Policy of the Municipality	Service charge	Fixed charge	39.46	0.00	-	-
	The first 50 kWh free				-	-
SINGLE PHASE	AMPERE	7%			-	-
	1 x 10 A	Fixed charge	112.80	121.10	127.64	134.53
	1 x 15 A	Fixed charge	169.20	181.65	191.46	201.80
	1 x 20 A	Fixed charge	225.60	242.20	255.28	269.06
	1 x 30 A	Fixed charge	338.40	363.30	382.92	403.60
	1 x 40 A	Fixed charge	451.20	484.40	510.56	538.13
	1 x 50 A	Fixed charge	564.00	605.50	638.20	672.66
	1 x 60 A	Fixed charge	676.80	726.60	765.84	807.19
	1 x 70 A	Fixed charge	789.60	847.70	893.48	941.72
	1 x 80 A	Fixed charge	902.40	968.80	1,021.12	1,076.26
THREE PHASE	AMPERE				-	-
	3 x 20 A	Fixed charge	739.20	793.80	836.67	881.85
	3 x 30 A	Fixed charge	1108.80	1190.70	1,255.00	1,322.77
	3 x 40 A	Fixed charge	1478.40	1587.60	1,673.33	1,763.69
	3 x 50 A	Fixed charge	1848.00	1984.50	2,091.66	2,204.61
	3 x 60 A	Fixed charge	2217.60	2381.40	2,510.00	2,645.54
	3 x 70 A	Fixed charge	2587.20	2778.30	2,928.33	3,086.46
	3 x 80 A	Fixed charge	2956.80	3175.20	3,346.66	3,527.38

An energy charge in respect of consumption, regardless of the metering period, per kWh				0.9003	0.95	1.00
The following combinations and charges shall apply only to existing supplies:					-	-
	3 x 90 A	Fixed charge	3326.40	3572.10	3,764.99	3,968.30
	3 x 100 A	Fixed charge	3696.00	3969.00	4,183.33	4,409.23
An energy charge in respect of consumption, regardless of the metering period, per kWh			1.06	0.9541	1.01	1.06
Where applicable, an additional fixed charge per month		Fixed charge	80.11	86.03	90.68	95.57
5.3 DOMESTIC CONSUMERS					-	-
This tariff is applicable to private dwellings, hostels, residential flats (boarding houses) and buildings utilized exclusively for residential purposes as well as sport clubs and churches.					-	-
The following option in respect of tariff is applicable to domestic consumers:					-	-
(a) a uniform unit tariff per kWh as determined in the Tariff Schedule, or		Fixed charge	1.2794	1.3739	1.45	1.53
(b) the small low voltage supply as stated in Tariff B in 5.2					-	-
5.4 TARIFF C DOMESTIC BULK SUPPLY					-	-
5.5 TARIFF D: BULK LOW VOLTAGE SUPPLY					-	-
The following charges shall be payable, per month:						
(a) A service charge, whether electricity is consumed or not, per metering point.			1097.82	1219.89	1,285.76	1,355.20
(b) Demand charge (R/kVA)			92.26	134.42	141.68	149.33
(d) An energy charge in respect of consumption regardless of the metering period in accordance with the following classification per kWh.			0.7852	0.8925	0.94	0.99
5.6 AGRICULTURE TARIFF FARMING					-	-
(a) An availability charge, whether electricity is consumed or not, on all vacant farming stands per month as determined in the Tariff Schedule.					-	-
(b) Basic charge			812.88	911.71	960.94	1,012.83
(c) An energy charge in respect of consumption, regardless of the metering period in accordance with the following classification:					-	-
For the first 1 000 kWh, per kWh at a rate as determined in the Tariff Schedule.			1.60	1.7977	1.89	2.00
Thereafter, per kWh at a rate as determined in the Tariff Schedule.			0.89	1.0016	1.06	1.11
5.7 TARIFF F BULK HIGH VOLTAGE SUPPLY					-	-
This tariff shall apply to any premises where electricity is supplied at high voltage. The monthly account of consumers shall be automatically adjusted according to the average daily consumption of energy calculated in kWh and kVA of the registered maximum demand for the relevant period between successive meter readings.					-	-
The following charges shall be payable, per month:					-	-
(a) An availability charge, whether electricity is consumed or not, on all vacant industrial stands per month.					-	-
(b) Basic charge			1660.11	1865.95	1,966.71	2,072.91
(c) Demand charge (R/kVA)			84.63	124.45	131.17	138.25
(e) An energy charge in respect of consumption regardless of the metering period in accordance with the following classification per kWh.			0.72	0.9175	0.97	1.02
5.8 TARIFF G: TEMPORARY SUPPLY					-	-
The applicable tariff in accordance with the category of user, plus a surcharge of 25%, on the tariff.					-	-
5.9 TARIFF H: MUNICIPAL TARIFF					-	-
Municipal tariff a unit charge per kWh			0.9805	1.0939	1.15	1.22
5.11 Reselling electricity at excessive charges which are not justified to the satisfaction of the Electrical Engineer, following a written notice to comply by the Council, will be charged an additional R 7,000.00 per month, exclusive of VAT, since date of notice, until such time as such excessive charges are corrected or justified.		A Fixed charge	8,014.30	8,447.07	8,903.21	9,383.99
5.12 TAMPERING BY ILLEGAL CONNECTIONS, BY-PASSING OF METER, METERS OR METERING EQUIPMENT, AND ANY OTHER TAMPERING - ALL CATEGORIES OF USERS EXCEPT BUSINESS AND INDUSTRIAL	First offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.		5,350.00	5,638.90	5,943.40	6,264.34

	Second offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.		10,700.00	11,277.80	11,886.80	12,528.69
5.13 TAMPERING BY ILLEGAL CONNECTIONS, BY-PASSING OF METER, METERS OR METERING EQUIPMENT, AND ANY OTHER TAMPERING - BUSINESS AND INDUSTRIAL	First offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.		107,000.00	112,778.00	118,868.01	125,286.88
	Second offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.		275,000.00	289,850.00	305,501.90	321,999.00
5.14 Electricity Connections					-	-
	Pre paid first meter	474.16	465.97	491.14	517.66	545.61
	Pre-paid from second meter	1542.46	1515.85	1597.70	1,683.98	1,774.91
	New connections	3315.59	3258.39	3434.34	3,619.79	3,815.26
	Moving of meter	1169.66	1149.48	1211.55	1,276.98	1,345.93
	Three phase connections must be calculated	0	30.91	32.58	34.34	36.20
	Administration fee deposits	83.88	82.43	86.88	91.58	96.52
5.15 Industrial Tariffs					-	-
	Low Voltage Demand		1376.93	1219.89	1,285.76	1,355.20
	Basic Charge					
	Energy Charge		22,7%	0.8925	0.94	0.99
	Demand Charge		151.72	134.42	141.68	149.33
	Medium Voltage Demand		2101.63	1861.95	1,962.50	2,068.47
	Basic Charge					
	Energy Charge		22,7%	0.9175	0.97	1.02
	Demand Charge		140.48	124.45	131.17	138.25
2.25 SURCHARGE CONTRIBUTION ON BULK ELECTRICITY PURCHASES FROM USERS/CONSUMERS/OWNERS OF PROPERTIES WITHIN THE JURISDICTION OF MADIBENG, EXCEPT DOMESTIC AND AGRICULTURAL STANDS/LAND	If a USER/CONSUMER/OWNER of a property within the jurisdiction of The Local Municipality of Madibeng procures electricity directly from Eskom, such a user will be levied a surcharge payable to the municipality based on the monthly consumption of electricity by such a owner/consumer/user.					

It also needs to be emphasised that, as in the event of water, electricity distribution losses are extremely high and needs to be investigated and corrected as a matter of very high priority.

1.4.3 SANITATION AND IMPACT OF TARIFF INCREASES

A tariff increase of 18 per cent for sanitation from 1 July 2014 is proposed. Only the towns of Brits and Hartebeespoort have waterborne sewerage systems while the rest of the municipality's residents are reliant on pit latrines:

TABLE 9 COMPARISON BETWEEN CURRENT SANITATION CHARGES AND INCREASES

The following table shows the impact of the proposed increases in sanitation tariffs on the sanitation charges for a single dwelling-house:

SEWERAGE					
CATEGORIES		2013/2014 R	2014/2015 R	2015/2016 R	2016/2017 R
3.1 CONNECTION FEES	Charges as determined per Tariff schedule	126.26	148.99	157.03	165.51
ALL CATEGORIES OF PROPERTIES				-	-
Minimum charges payable in respect of any application for connection to the sewer system				-	-
3.1.1 In addition to a minimum charge as prescribed in item 3.1, the following charges shall be payable				-	-
3.1.2 For every 50 m ² or part thereof of the floor area of the basement and ground floor of any building to be served by, or the use of which will, whether directly or indirectly, be associated with the use of the drainage installation	Charges as determined per Tariff schedule	236.11	278.61	293.65	309.51
3.1.3 For every 50 m ² or part thereof of the floor area of all other storey of a building as described in sub-item (3.1.2)	Charges as determined per Tariff schedule	126.26	148.99	157.03	165.51
3.1.4 For any application for an alternation not amounting to a reconstruction of or for additions to an existing drainage installation, for each storey of a building as described in item 3.1.1 3.1.2 and 3.1.3	Charges as determined per Tariff schedule	126.26	148.99	157.03	165.51
3.1.5 In addition to the above for a 110 mm Sewer connection	Charges as determined per Tariff schedule	2304.25	2719.01	2,865.84	3,020.59
3.1.6 In addition to the above for a 150 mm Sewer connection	Charges as determined per Tariff schedule	4685.51	5528.90	5,827.46	6,142.14
3.2 DRAINAGE FEES	Consumption Level / Charge			-	-
RESIDENTIAL PROPERTIES				-	-
3.2.1 VACANT RESIDENTIAL STANDS	Basic Service Fee as determined per Tariff schedule	32.83	38.74	40.83	43.03
PROVISO - All vacant residential stands, where a Local Municipality Sewer Supply is available, whether connected to the Local Municipality's water reticulation system or not and irrespective of whether water is used or not.				-	-
3.2.2 RESIDENTIAL PROPERTIES	Charges in Blocks where lowest tariff is equal to cost	2.43	2.87	3.02	3.19
PROVISO - Residential consumers will be charged for sewer in accordance with water consumption.				-	-
	0 – 6 kl per month	2.43	2.87	3.02	3.19
	Above 6 – 10 kl per month	2.87	3.38	3.57	3.76
	Above 10 – 15 kl per month	3.38	3.99	4.21	4.44
	Above 15 – 20 kl per month	3.99	4.71	4.97	5.23
	Above 20 – 30 kl per month	4.71	5.56	5.86	6.18
	Above 30 – 40 kl per month	5.56	6.56	6.91	7.29

	Above 40 – 60 kl per month	6.56	7.74	8.16	8.60
	Above 60 kl per month	7.74	9.13	9.63	10.15
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule	79.06	93.29	98.33	103.64
If no water consumption is registered in any month due to any reason a minimum fee is payable	A minimum fee is payable if no consumption is registered in any month due to any reason.	77.88	91.90	96.86	102.09
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule	79.06	93.29	98.33	103.64
3.2.4 PRIVATE DEVELOPED RESIDENTIAL TOWNSHIP PROPERTIES BULK SUPPLY including FLATS	charge as same as Residential (Average consumption on multiplied by number of consumer units)			-	-
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule	158.12	186.58	196.66	207.28
3.2.5 INDIGENT RESIDENTIAL PROPERTIES – PROVISO : Provided that such owner is a registered Indigent as provided for in the Indigent Policy of the Municipality	First 6 Kiloliters of Water usage Free of Charge			-	-
	0 – 6 kl per month	2.43	2.87	3.02	3.19
	Above 6 – 10 kl per month	2.87	3.38	3.57	3.76
	Above 10 – 15 kl per month	3.38	3.99	4.21	4.44
	Above 15 – 20 kl per month	3.99	4.71	4.97	5.23
	Above 20 – 30kl per month	4.71	5.56	5.86	6.18
	Above 30 – 40 kl per month	5.56	6.56	6.91	7.29
	Above 40 – 60 kl per month	6.56	7.74	8.16	8.60
	Above 60 kl per month	7.74	9.13	9.63	10.15
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule	42.93	50.66	53.39	56.27
3.2.6 PENSIONERS OVER THE AGE OF SIXTY (60) AND DISABLED PERSONS WHO ARE REGISTERED OWNERS OF RESIDENTIAL PROPERTIES, THE FOLLOWING :	Same tariff framework as Indigents			-	-
				-	-
3.4 MUNICIPAL PROPERTIES PROVISO : Properties other than Residential properties and/or properties used for Municipal activities only and /or Vacant land	Same Tariff Framework as Residential Bulk Tariff	2.67	3.15	3.32	3.50
				-	-
3.5 PUBLIC SERVICE INFRASTRUCTURE	Not Applicable			-	-
3.6 PUBLIC BENEFIT ORGANISATIONS PROVISO : Public Benefit Organisations may apply for the exemption of property rates, subject to producing a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962):	Same Tariff Framework as Residential Bulk Tariff	2.41	2.84	3.00	3.16
				-	-
3.6.4 EDUCATIONAL INSTITUTIONS PROVISO : Private Property belonging to educational institutions other than government declared, subsidised or registered by law, including Independent schools where such Property is used by registered independent schools for educational purposes only.	Same Tariff Framework as Residential Bulk Tariff	2.67	3.15	3.32	3.50
				-	-
3.6.5 HEALTH CARE INSTITUTIONS	Same Tariff Framework as Residential Bulk Tariff	2.67	3.15	3.32	3.50

PROVISO : Properties used exclusively as a hospital, clinic and mental hospital, including workshops used by the inmates, laundry or cafeteria facilities, provided that any profits from the use of the property are used entirely for the benefit of the institution and/or to charitable purposes within the municipality other than government funded institutions.				-	-
3.7 PUBLIC ROADS	Not Applicable			-	-
3.8 COMMUNAL LAND	Fixed Charge per month per stand if not individually metered if a sewer service is supplied	77.88	91.90	96.86	102.09
PROVISO : Definition for "Land Reform Beneficiary", as well as the provisions of section 17(1)(g) of the Act, refers.				-	-
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule	77.88		-	-
3.9 INDUSTRIAL PROPERTIES	Fixed Tariff per Kiloliter	2.67	3.15	3.32	3.50
The industrial category will be charged a rate (treatment and conveyance) with an additional	Charges as determined per Tariff schedule			-	-
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule			-	-
3.10 BUSINESS AND COMMERCIAL	Fixed Tariff per Kiloliter	2.67	3.15	3.32	3.50
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule			-	-
3.11 MINING	Fixed Tariff per Kiloliter	2.67	3.15	3.32	3.50
The mining category will be charged a rate (treatment and conveyance) with an additional				-	-
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule			-	-
3.12 PLACES OF PUBLIC WORSHIP	Same Tariff Framework as Residential Bulk Tariff	2.67	3.15	3.32	3.50
In addition to the monthly charge a fixed effluent charge is payable	Charges as determined per Tariff schedule			-	-
3.13 AGRICULTURAL LAND	Same Tariff Framework as Residential Bulk Tariff	2.67	3.15	3.32	3.50
3.15 SEALING OF OPENING PER CONNECTION	Cost as determined in the Tariff schedule			-	-
3.16 REMOVING BLOCKAGE IN DRAINS	Cost as determined in the Tariff schedule			-	-
As per section 13(4) of the Council's Drainage By-laws)				-	-
3.17 BULK SERVICES CONTRIBUTION	Charges as determined per Tariff schedule			-	-
New township development				-	-
3.18 BULK SEWER DUMPING	When an OWNER/USER of a property dumps raw sewer into the sewer network of the Municipality such an OWNER/USER will be charge a minimum fixed amount per tanker load.	41.06	48.46	51.07	53.83
	6000 kl tanker	54.75	64.61	68.10	71.77
	8000 kl tanker	68.44	80.76	85.12	89.72
3.19 TAMPERING BY ILLEGAL CONNECTIONS, DISCHARGING IN MANHOLES, DISCHARGING IN ALL WATER SOURCES, AND ANY OTHER DISCHARGING OF EFFLUENT - ALL CATEGORIES OF USERS EXCEPT BUSINESS AND INDUSTRIAL	10000 kl tanker	5900.00	6962.00	7,337.95	7,734.20
				-	-
				-	-
	First offence a fixed charge as determined in the Tariff schedule, service will be removed until full settlement of outstanding account and penalty fee.	11800	13924.00	14,675.90	15,468.39

1.4.4 WASTE REMOVAL AND IMPACT OF TARIFF INCREASES

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. The municipality will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. A tariff increase of 5,8 percent is proposed for the 2014/2015 financial year.

The following table compares current and proposed amounts payable from 1 July 2014:

TABLE 10 COMPARISON BETWEEN CURRENT WASTE REMOVAL FEES AND INCREASES

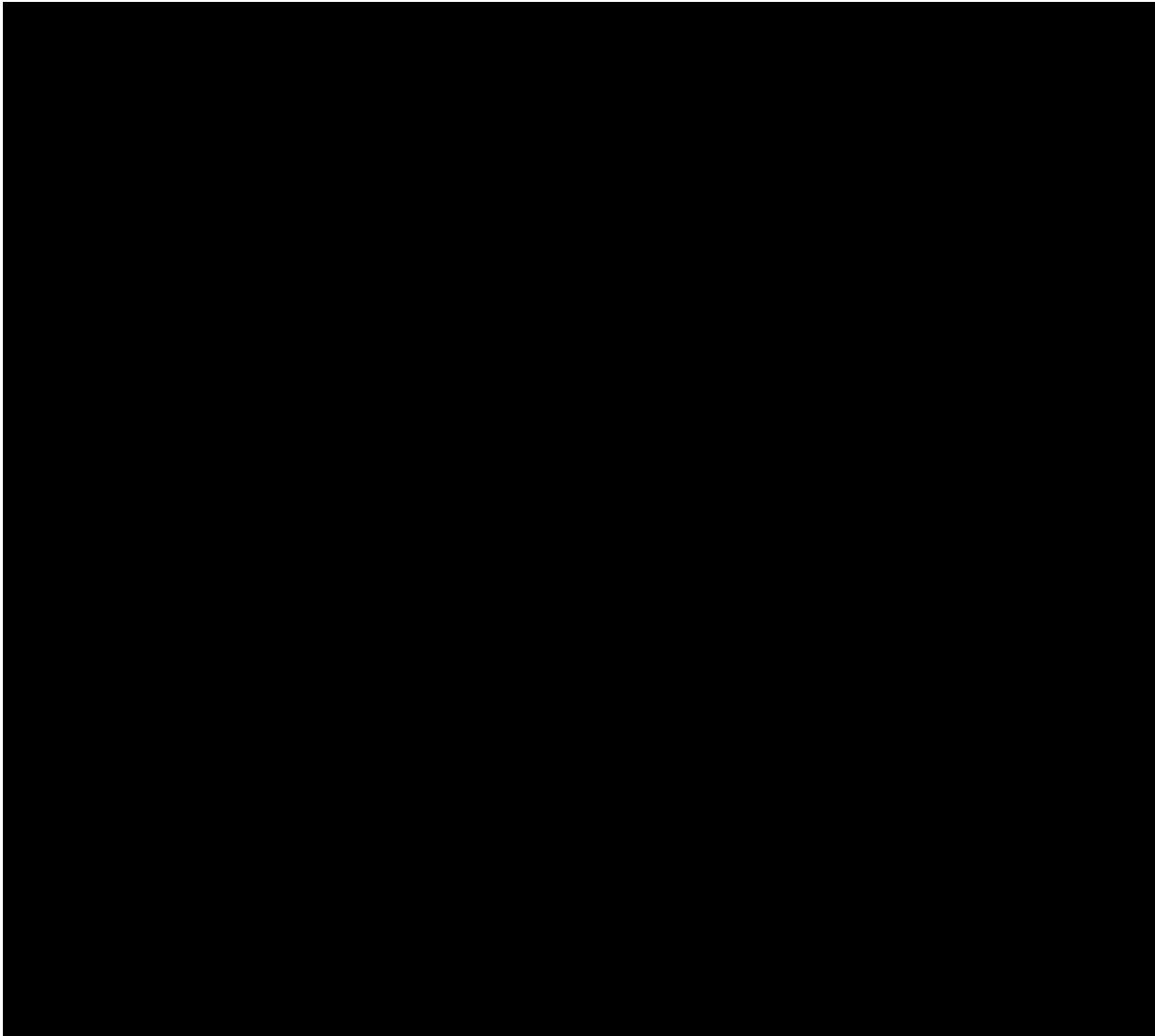
4. REFUSE						
CATEGORIES	DESCRIPTION	TARIFF	Current Tariff	Proposed Tariff	Proposed Tariff	Proposed Tariff
			2013/2014 R	2014/2015 R	2015/2016 R	2016/2017 R
4.1 REFUSE FEES	Refuse service charge	Fixed monthly charge	82.37	87.15	91.85	96.81
4.3 PRIVATE DEVELOPED RESIDENTIAL	Refuse service charge per number of dwellings/flats	Fixed monthly charge	67.16	71.06	74.89	78.94
TOWNSHIP PROPERTIES BULK SUPPLY including FLATS					-	-
4.4 INDIGENT RESIDENTIAL PROPERTIES	Refuse service charge	Fixed monthly charge (50% of Residential Tariff)	41.18	87.15	91.85	96.81
PROVISO : Provided that such owner is a registered Indigent as provided for in the Indigent Policy of the Municipality					-	-
4.5 PENSIONERS OVER THE AGE OF SIXTY (60) AND DISABLED PERSONS WHO ARE REGISTERED OWNERS OF RESIDENTIAL PROPERTIES, THE FOLLOWING	Refuse service charge	Fixed monthly charge (50% of Residential Tariff)	41.18	43.57	45.93	48.41
4.6 CEMETERIES AND CREMATORIALS	Refuse service charge	Not Applicable				
PROVISO : Registered in the names of private persons and operated not for gain.						
4.7 MUNICIPAL PROPERTIES	Refuse service charge	Not Applicable		0.00	-	-
PROVISO : Properties other than Residential properties and/or properties used for Municipal activities only and /or Vacant land					-	-
4.8 PUBLIC BENEFIT ORGANISATIONS	Refuse service charge	Fixed monthly charge	82.37	87.15	91.85	96.81
PROVISO : Public Benefit Organisations may apply for the exemption of property rates, subject to producing a tax exemption certificate issued by the South African Revenue Services (SARS) as contemplated in Part 1 of the Ninth Schedule of the Income Tax Act, 1962 (No 58 of 1962):						
4.9 PUBLIC ROADS	Refuse service charge	Not Applicable			-	-
4.10 COMMUNAL LAND	Refuse service charge	Fixed monthly charge per stand	67.16	71.06	74.89	78.94
PROVISO : Definition for "Land Reform Beneficiary", as well as the provisions of section 17(1)(g) of the Act, refers.					-	-
4.11 INDUSTRIAL PROPERTIES	Refuse service charge	Fixed monthly charge	200.22	211.83	223.27	235.33
4.12 BUSINESS AND COMMERCIAL	Refuse service charge	Fixed monthly charge	100.11	105.92	111.63	117.66
4.13 MINING	Refuse service charge	Fixed monthly charge	200.22	211.83	223.27	235.33
4.14 PLACES OF PUBLIC WORSHIP	Refuse service charge	Fixed monthly charge	67.16	71.06	74.89	78.94

4.15 AGRICULTURAL LAND	Refuse service charge	Fixed monthly charge	67.16	71.06	74.89	78.94
4.17 BULK REFUSE REMOVAL PERMANENT PER MONTH					-	-
	Hire tariff (3m ³)	Fixed monthly charge	174.87	185.02	195.01	205.54
	Removal tariff (3m ³)	Fixed monthly charge	427.05	451.82	476.21	501.93
	Hire tariff (5.5m ³)	Fixed monthly charge	321.87	340.54	358.93	378.31
	Removal tariff (5.5m ³)	Fixed monthly charge	544.90	576.50	607.63	640.44
	Hire tariff (6m ³)	Fixed monthly charge	351.01	371.37	391.43	412.56
	Removal tariff (6m ³)	Fixed monthly charge	854.09	903.63	952.43	1,003.86
	Hire tariff (9m ³)	Fixed monthly charge	652.61	690.46	727.74	767.04
	Removal tariff (9m ³)	Fixed monthly charge	1110.07	1174.45	1,237.87	1,304.72
4.18 BULK REFUSE PERMANENT (2-4 REMOVALS PER MONTH)					-	-
	Removal tariff (5.5m ³)	Fixed monthly charge	544.90	576.50	607.63	640.44
	Removal tariff (6m ³)	Fixed monthly charge	854.09	903.63	952.43	1,003.86
	Removal tariff (9m ³)	Fixed monthly charge	1110.07	1174.45	1,237.87	1,304.72
4.19 BULK REFUSE PERMANENT (MORE THAN 4 REMOVALS PER MONTH)					-	-
	Removal tariff (5.5m ³)	Fixed monthly charge	490.41	518.85	546.87	576.40
	Removal tariff (6m ³)	Fixed monthly charge	587.98	622.08	655.68	691.08
	Removal tariff (9m ³)	Fixed monthly charge	705.83	746.77	787.09	829.60
4.20 BULK REFUSE TEMPORARY					-	-
	Rental tariff (3m ³)	Fixed charge	31.68	33.52	35.33	37.24
	Removal tariff (3m ³)	Fixed charge	427.05	451.82	476.21	501.93
	Rental tariff (6m ³)	Fixed charge	64.63	68.38	72.07	75.96
	Removal tariff (6m ³)	Fixed charge	854.09	903.63	952.43	1,003.86
4.21 BULK REFUSE SPECIAL REMOVALS	Removal per 4m ³	Fixed charge	439.72	465.22	490.34	516.82
4.22 VACUUM TANK SERVICES					-	-
	Per 500 L or a part thereof	Fixed charge	178.68	189.04	199.25	210.01
	Minimum charge	Fixed charge	1369.84	1449.29	1,527.56	1,610.04
	Dep payable – non account holders	Fixed charge	4824.23	5104.04	5,379.65	5,670.15
4.23 CHEMICAL TOILETS					-	-
	Rent per week per unit	Fixed charge	921.25	974.69	1,027.32	1,082.80
	Dep payable per unit – non account holders	Fixed charge	1023.90	1083.28	1,141.78	1,203.44
	Rent per day per unit	Fixed charge	192.61	203.79	214.79	226.39
4.24 DUMPING OF REFUSE (Hartbeesfontein Regional Waste Disposal Site)					-	-
	Class 1 (0 – 1 000kg)	Fixed charge	29.15	30.84	32.50	34.26
	Class 2 (1 001 – 2 000kg)	Fixed charge	81.10	85.80	90.44	95.32
	Class 3 (2 001 – 4 000kg)	Fixed charge	183.74	194.40	204.90	215.96
	Class 4 (4 001 – 7 000kg)	Fixed charge	364.95	386.12	406.97	428.95
	Class 5 (7 001 – 9 000kg)	Fixed charge	414.37	438.41	462.08	487.03
	Class 6 (9 001kg plus)	Fixed charge	457.46	483.99	510.13	537.67
4.25 TRANSFER STATIONS						
	Per load (load = 1 ton LDV)	Fixed charge		Free	Free	Free

1.4.5 OVERALL IMPACT OF TARIFF INCREASES ON HOUSEHOLDS

TABLE 10 MBRR TABLE SA14 – HOUSEHOLD BILLS

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services.



1.5 OPERATING EXPENDITURE FRAMEWORK

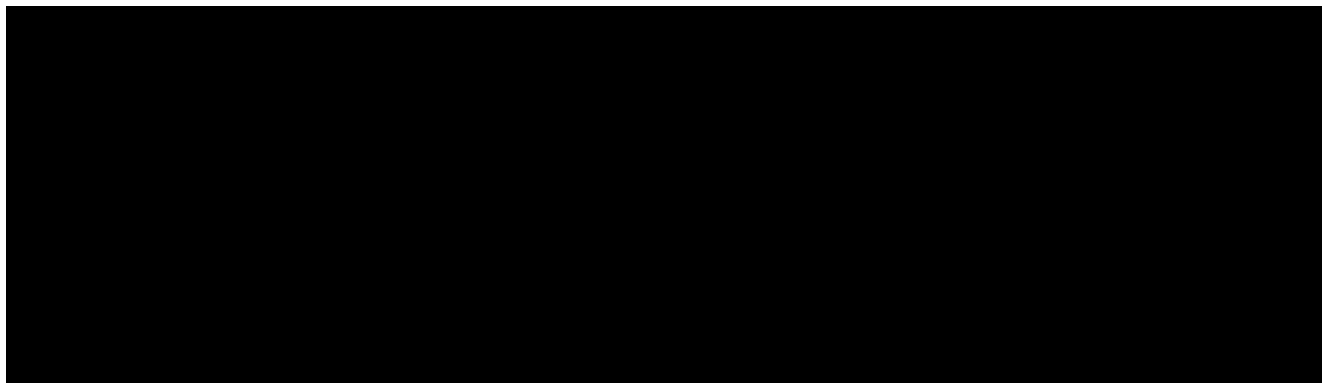
The municipality's expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;
- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The following table is a high level summary of the 2014/15 budget and MTREF (classified per main type of operating expenditure):

TABLE 11 SUMMARY OF OPERATING EXPENDITURE BY STANDARD CLASSIFICATION ITEM

The budgeted allocation for employee related costs for the 2014/15 financial year totals R308,10 million, which equals 22.1 per cent of the total operating revenue. Based on the estimated inflation rate and tendencies in the labour market, salary increases have been factored into this budget at a percentage increase of 6.79 per cent for the 2014/15 financial year. An annual increase of 6,4 per cent has been included in the two outer years of the MTREF. As part of the municipality's cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.



The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). Provision for a possible increase of 7 per cent has been provided in the 2014/15 budget.

The provision of debt impairment was determined based on an annual collection rate of 75 per cent and the Debt Write-off Policy of the municipality. For the 2014/2015 financial year this amount equates to R 232,9 million and escalates to R 245,4 million by 2015/16. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate of asset consumption. Budget appropriations in this regard total R 78.3 million for the 2014/15 financial year. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 0,62 per cent (R10 million) of operating expenditure excluding annual redemption for 2014/15 and increase to R11,1 million by 2016/17. As previously noted, the municipality has reached its prudential limits for borrowing – hence the planned borrowing to finance the capital budget does not result in finance charges as a percentage of operational expenditure increasing – rather it is kept close to 0.6 per cent over the MTREF.

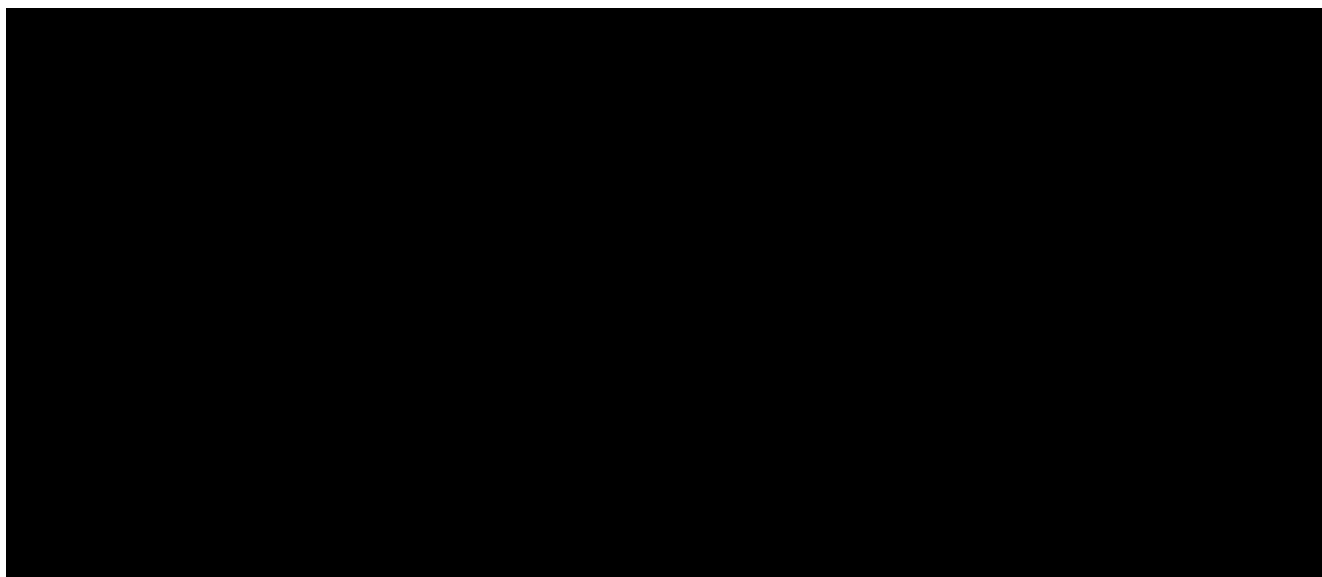
Bulk purchases are directly informed by the purchase of water from the City of Tshwane and Rand Water. The annual price increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses.

The budgeted provision for maintenance increase with 23,99 per cent in order to maintain essential infrastructure such as the electricity and water networks, roads and storm water, vehicles and equipment.

Contract services of importance are the contracted refuse removal service, security, meter readings service as well as the commitment for Sandspruit. Further details relating to contracted services can be seen in Table 64 MBRR SA1 (see page 100).

Other expenditure comprises of various line items relating to the daily operations of the municipality. Growth has been limited to 5 per cent for 2014/15 and curbed at 8.5 and 2.6 per cent for the two outer years, indicating that significant cost savings have been already realised. Further details relating to contracted services can be seen in Table 64 MBRR SA1.

The following table and graph gives a breakdown of the main expenditure categories for the 2014/15 financial year.





Aligned to the priority being given to preserving and maintaining the municipality's current infrastructure, the 2014/15 budget and MTREF provide for growth in the area of asset maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

TABLE 12 OPERATIONAL REPAIRS AND MAINTENANCE

[REDACTED]

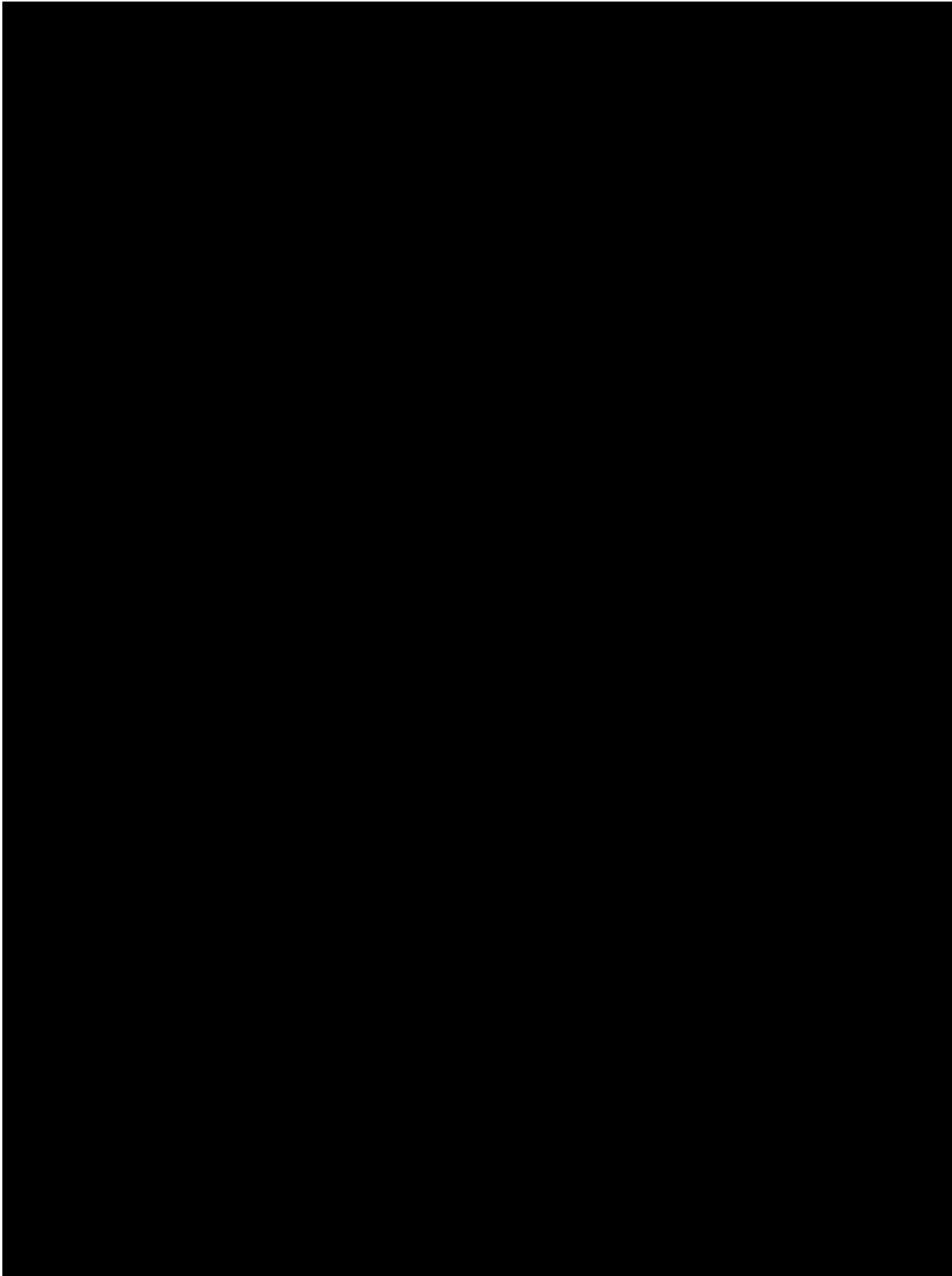
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by the budget appropriations over the MTREF. The total allocation for 2014/15 equates to R44,905 million.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

TABLE 13 REPAIRS AND MAINTENANCE PER ASSET CLASS



For the 2014/2015 financial year R 44,9 million of total repairs and maintenance will be spent on infrastructure assets.

1.5.2 FREE BASIC SERVICES: BASIC SOCIAL SERVICES PACKAGE

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the municipality's Indigent Policy. The target is to register 30 000 or more indigent households during the 2014/15 financial year, a process reviewed annually. Detail relating to free services, cost of free basis services, revenue lost owing to free basic services as well as basic service delivery measurement is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement).

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.6 CAPITAL EXPENDITURE

The following table provides a breakdown of budgeted capital expenditure by vote:

TABLE 14 2014/15 MEDIUM-TERM CAPITAL BUDGET PER VOTE

Vote Description	Ref	2014/15 Medium Term Revenue & Expenditure Framework		
		Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand				
Capital expenditure	1			
Vote 01 - Executive Council		—	—	—
Vote 02 - Municipal Manager		—	—	—
Vote 03 - Chief Operating Officer		—	—	—
Vote 04 - Corporate And Support Services		—	—	—
Vote 05 - Budget And Treasury Office		3 500	—	—
Vote 06 - Infrastructure And Technical Services		240 478	288 328	235 165
Vote 07 - Community Services		21 700	—	8 600
Vote 08 - Human Settlement		—	—	—
Vote 09 - Economic Dev,tourism & Agric		—	—	20 000
Vote 10 - Public Safety		—	—	29 500
Total Capital Expenditure		265 678	288 328	293 265

For 2014/15 an amount of R265 678 million has been appropriated for the development of infrastructure and community facilities which represents 100 per cent of the total capital budget. In the outer years this amount totals R288 328 million and R293 265 million respectively for each of the financial years.

Further detail relating to asset classes and proposed capital expenditure is contained in Table 26 MBRR A9 (Asset Management). In addition to the MBRR Table A9, MBRR Tables SA34a, b, c provides a detailed breakdown of the capital programme relating to new asset construction, capital asset renewal as well as operational repairs and maintenance by asset class.

The following graph provides a breakdown of the capital budget to be spent on infrastructure related projects over the MTREF:

The following graph provides a breakdown of the capital budget to be spend on infrastructure related projects over the MTREF

	2014/15	2015/16	2016/17
Capital Expenditure - Standard			
<i>Governance and administration</i>	6 500	-	-
Executive and council	-	-	-
Budget and treasury office	6 500	-	-
Corporate services	-	-	-
<i>Community and public safety</i>	8 900	16 800	55 500
Community and social services	4 200	16 800	40 000
Sport and recreation	4 700	-	8 000
Public safety	-	-	7 500
Housing	-	-	-
Health	-	-	-
<i>Economic and environmental services</i>	84 300	102 617	103 058
Planning and development	-	-	20 000
Road transport	84 300	102 617	83 058
Environmental protection	-	-	-
<i>Trading services</i>	165 978	168 911	134 707
Electricity	12 000	40 000	23 000
Water	88 178	83 911	53 107
Waste water management	51 800	45 000	50 000
Waste management	14 000	-	8 600
<i>Other</i>	-	-	-
Total Capital Expenditure - Standard	265 678	288 328	293 265

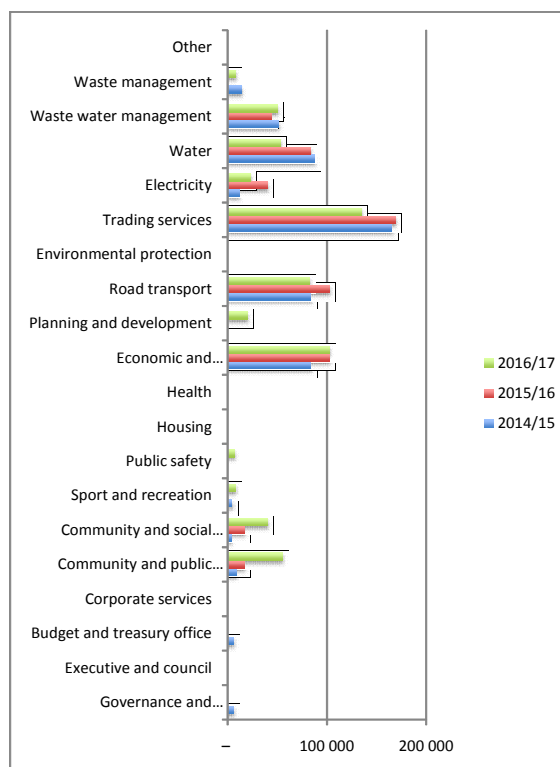
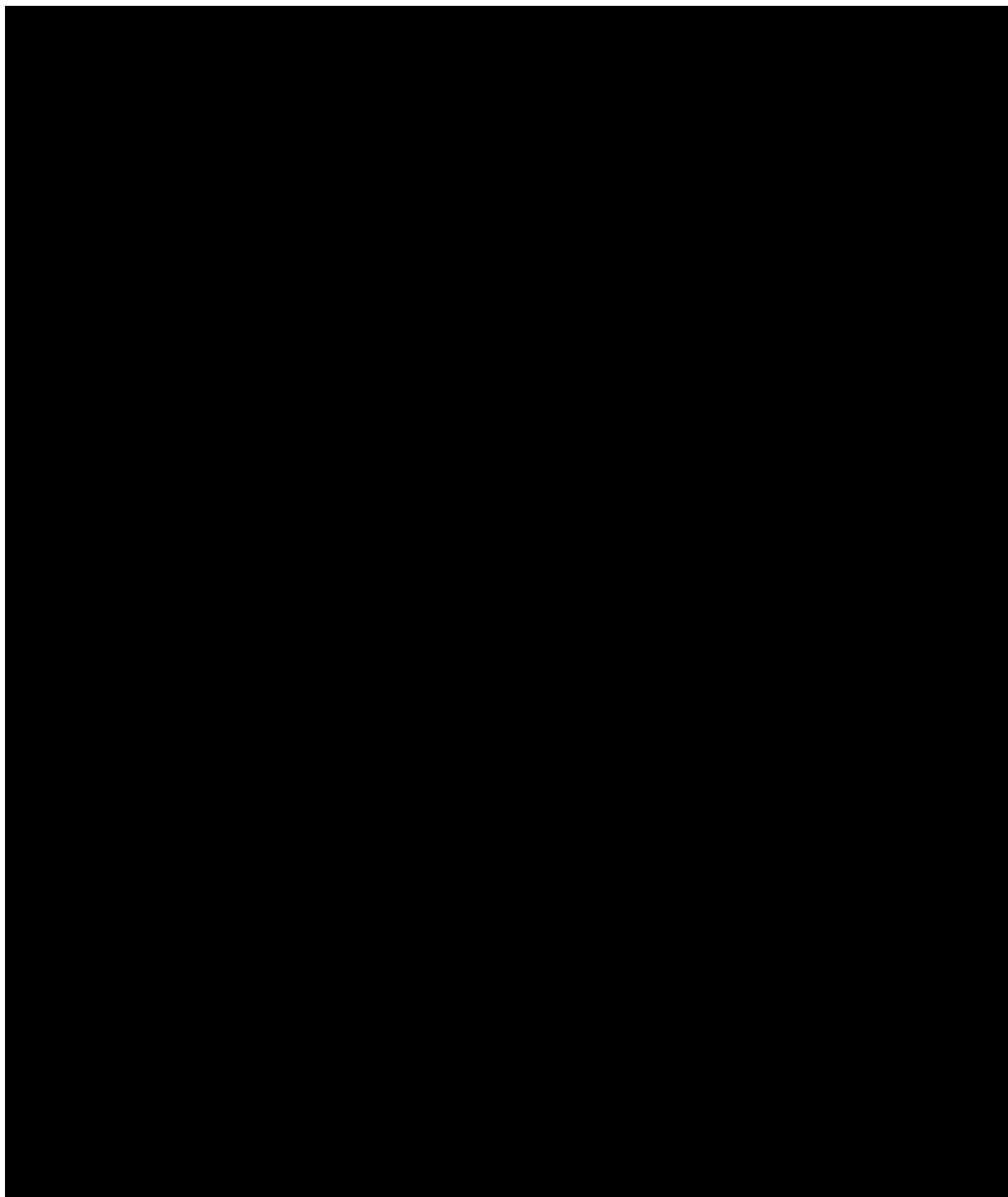


FIGURE 2 CAPITAL INFRASTRUCTURE PROGRAMME

1.7 ANNUAL BUDGET TABLES - PARENT MUNICIPALITY

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2013/14 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

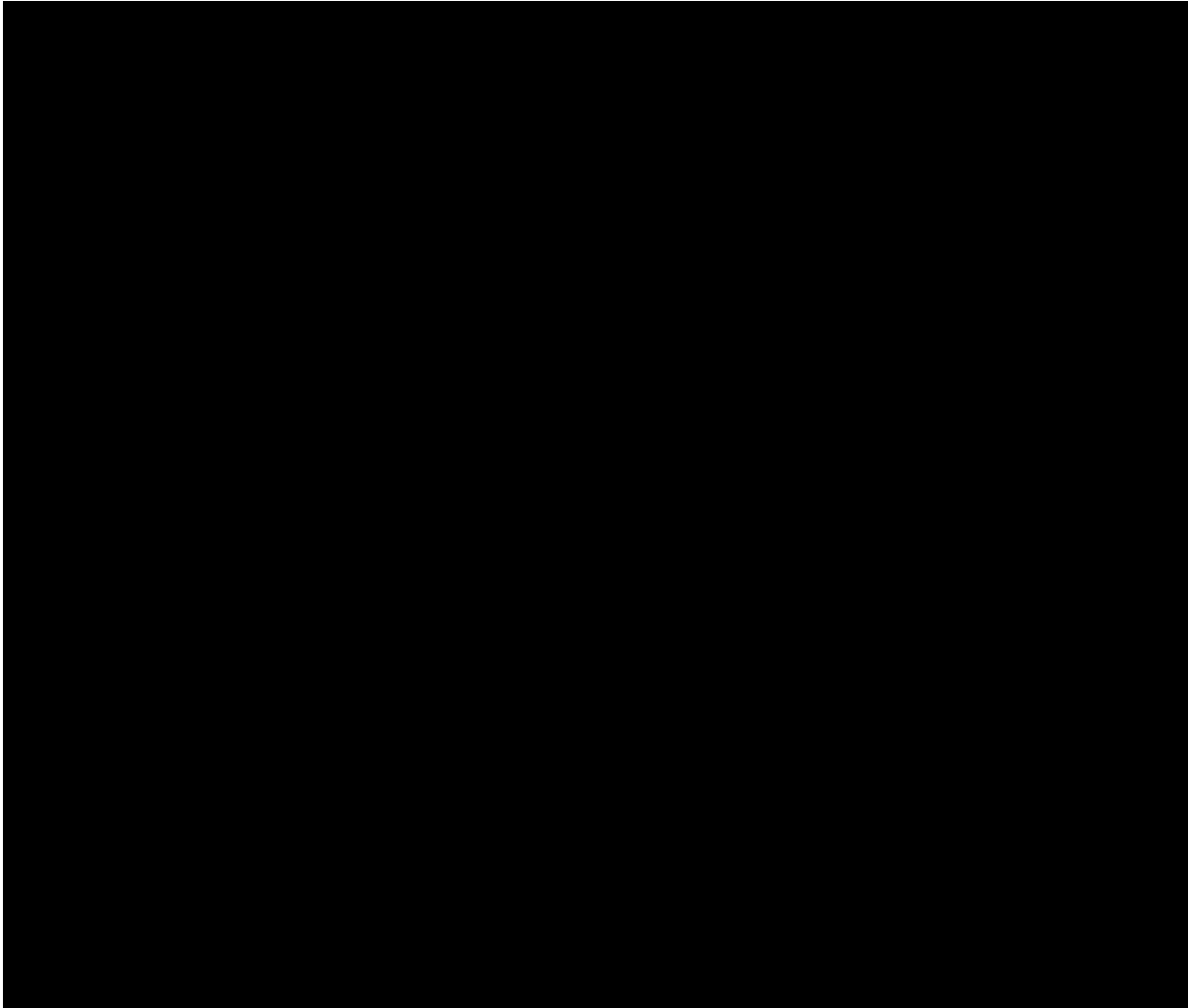
TABLE 15 MBRR TABLE A1 - BUDGET SUMMARY



EXPLANATORY NOTES TO MBRR TABLE A1 - BUDGET SUMMARY

1. Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances, and consequently many of its obligations are not cash-backed. These places the municipality in a very vulnerable financial position, as the recent slow-down in revenue collections highlighted. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Funding and Reserves Policy. This cannot be achieved in one financial year. But over the MTREF there is progressive improvement in the level of cash-backing of obligations. It is anticipated that the goal of having all obligations cash-back will be achieved by 2014/15, when a small surplus is reflected.
5. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs. It is anticipated that by 2015/16 the water backlog will have been very nearly eliminated.

TABLE 16 MBRR TABLE A2 - BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY STANDARD CLASSIFICATION)

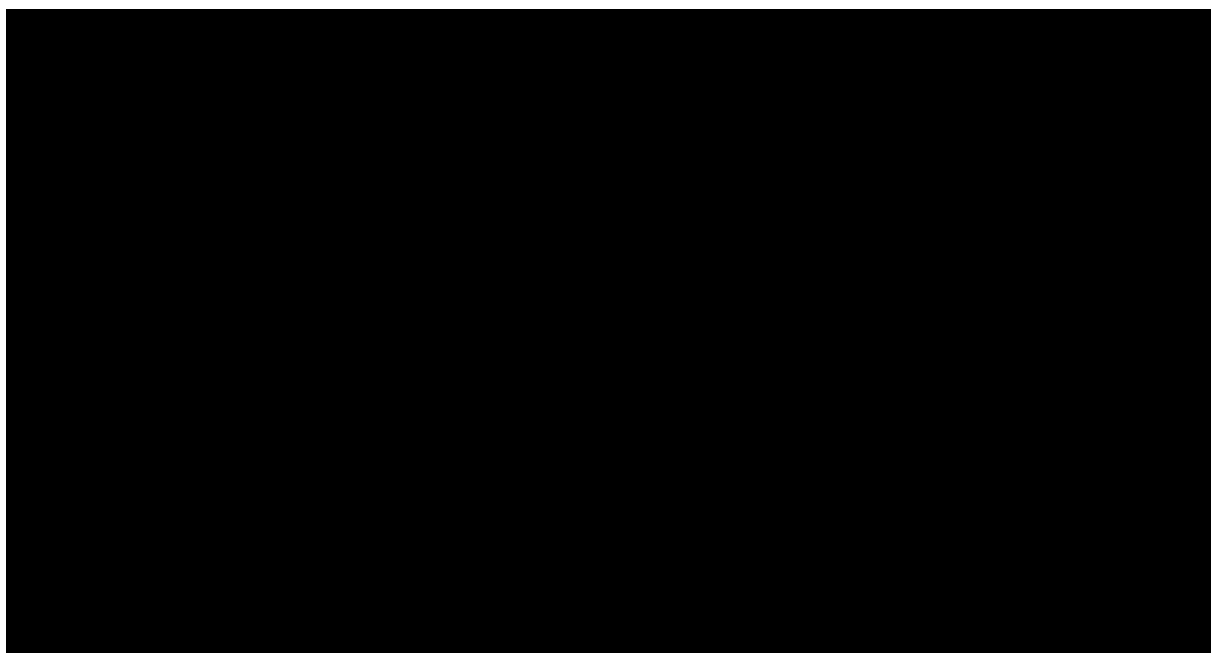


Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 7 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.

3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. As already noted above, the municipality will be undertaking a detailed study of this function to explore ways of improving efficiencies and provide a basis for re-evaluating the function's tariff structure.
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under Governance and Administration.

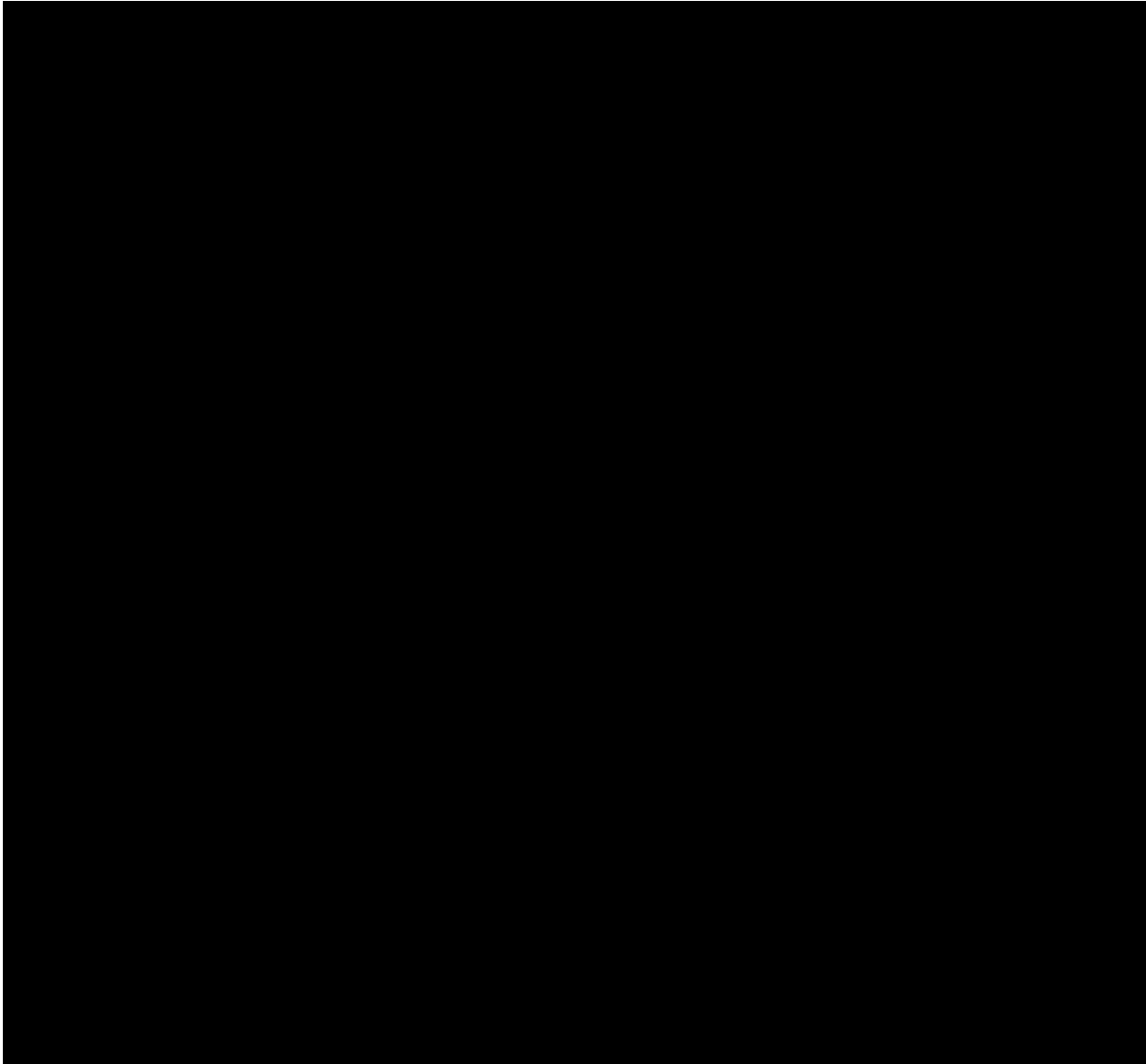
TABLE 17 MBRR TABLE A3 - BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE BY MUNICIPAL VOTE)



Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the water trading services.
2. The water account is subsidised with a portion of the equitable share as the majority of household receive water at RDP level or lower.

TABLE 18MBRR TABLE A4 - BUDGETED FINANCIAL PERFORMANCE (REVENUE AND EXPENDITURE)



Explanatory notes to Table A4 - Budgeted Financial Performance (revenue and expenditure)

1. Total revenue is R1 394 012 million in 2014/15 and escalates to R1 643239 million by 2016/17.
2. Revenue to be generated from property rates is R330,084 million in the 2014/15 financial year and increases to R347,908 million by 2015/16 which represents 23,6 per cent of the operating revenue base of the municipality. It remains relatively constant over the medium-term and tariff increases have been factored in at 6 per cent for each of the respective financial years of the MTREF.
3. Services charges relating to, water, sanitation and refuse removal constitutes 39,35 of the revenue basket of the municipality totalling R601,567 million for the 2014/15 financial year and increasing to

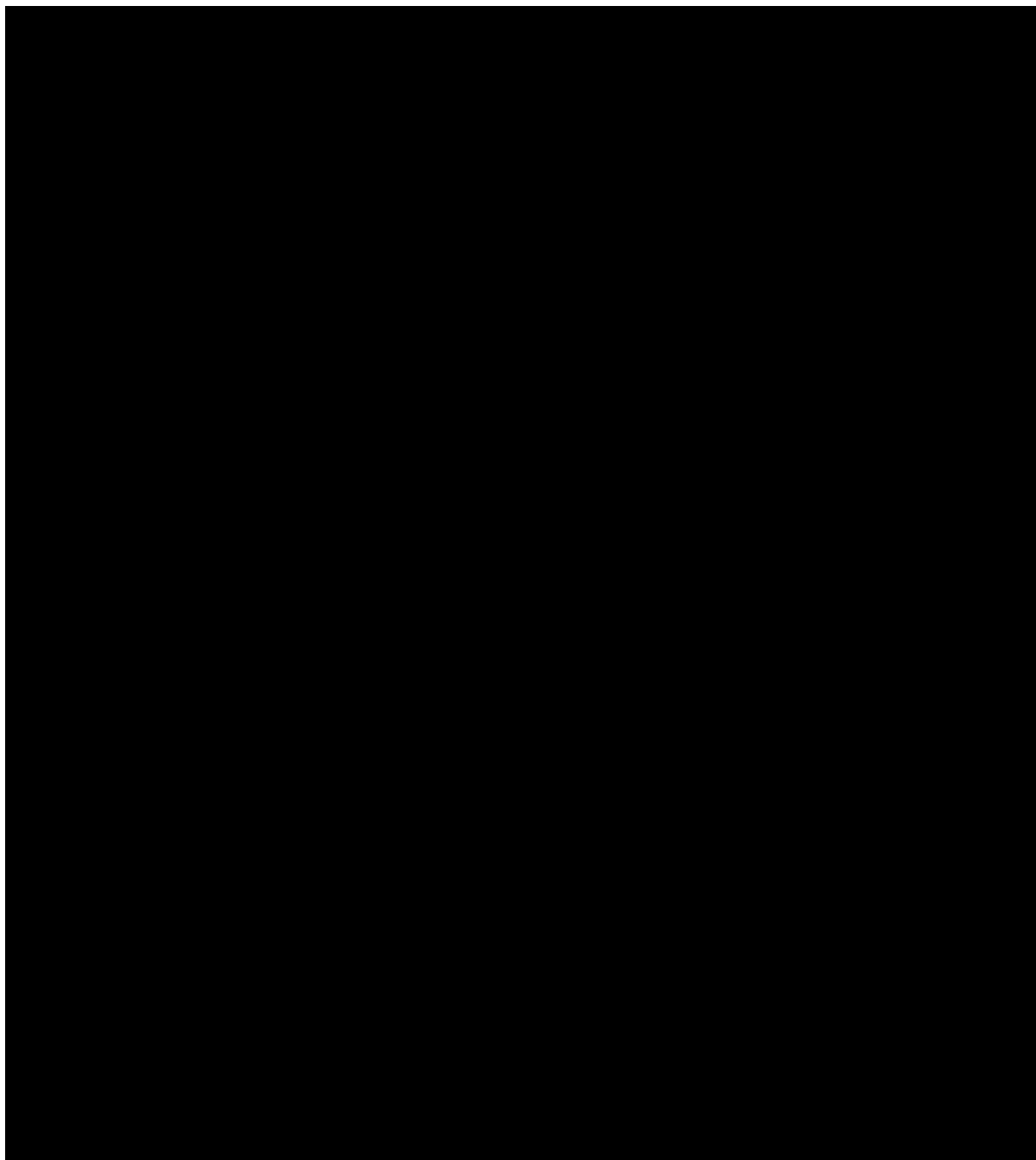
R634,052 million by 2015/16. For the 2015/16 financial year services charges amount to 43,15 per cent of the total revenue base and grows by 6 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of and water.

4. Transfers recognised – operating includes the local government equitable share and other operating grants from national and provincial government. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 23,83 per cent and 11,15 per cent for the two outer years. The equitable share contributes 27,12 per cent to the municipality's revenue basket.

Figure 3 Expenditure by major type

5. Bulk purchases have significantly increased over the 2012/13 to 2015/16 period escalating from R391,350 million to R539,296 million. These increases can be attributed to the substantial increase in the cost of bulk water from Rand Water and the City of Tshwane and electricity price increases by ESKOM.
6. Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

Table 19 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

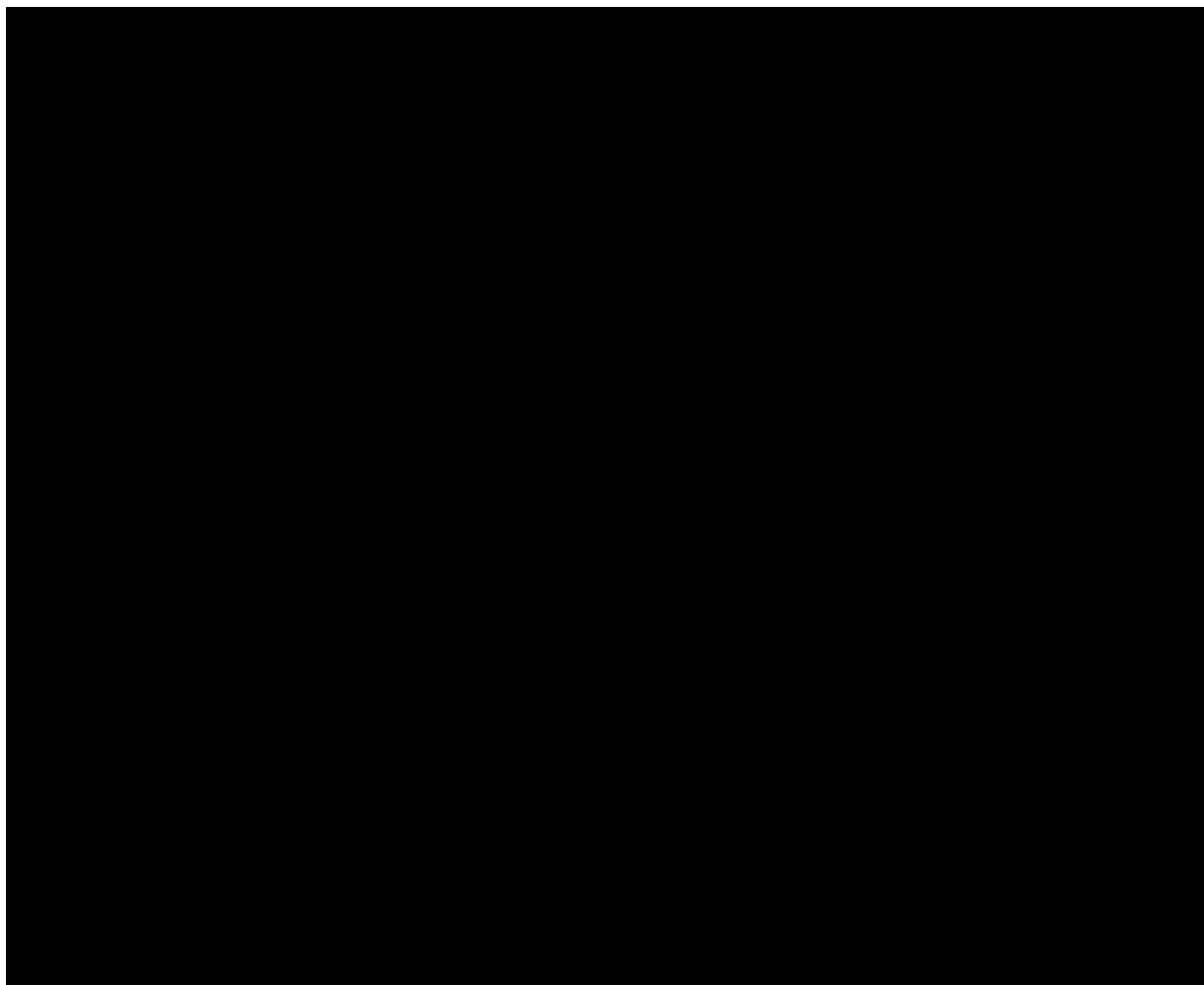


Explanatory notes to Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

1. Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the

funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.

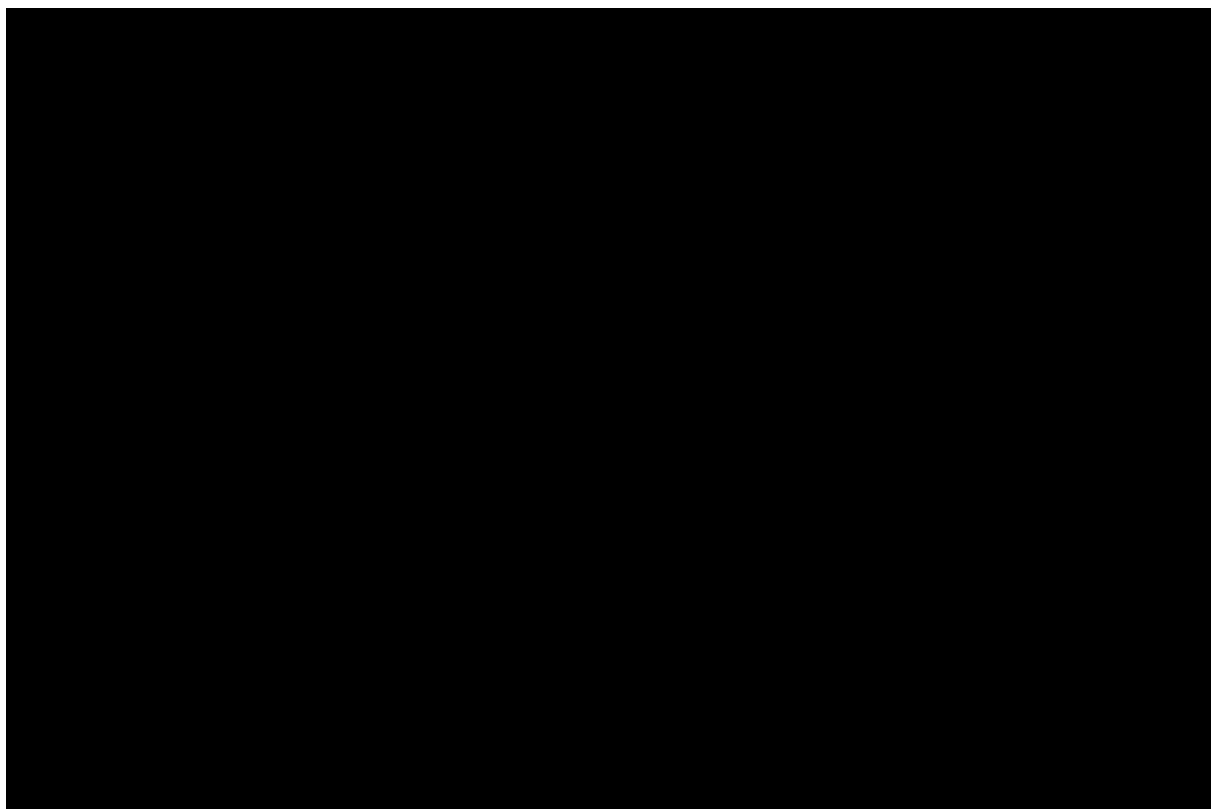
2. The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations. No multi-year appropriations have been done.
3. Single-year capital expenditure has been appropriated at R265 678 million for the 2014/15 financial year and remains relatively constant over the MTREF at levels of R288 328 million and R293 265 million respectively for the two outer years.
4. Unlike multi-year capital appropriations, single-year appropriations relate to expenditure that will be incurred in the specific budget year such as the procurement of vehicles and specialized tools and equipment. The budget appropriations for the two outer years are indicative allocations based on the departmental business plans as informed by the IDP and will be reviewed on an annual basis to assess the relevance of the expenditure in relation to the strategic objectives and service delivery imperatives of the municipality. For the purpose of funding assessment of the MTREF, these appropriations have been included but no commitments will be incurred against single-year appropriations for the two outer-years.
5. The capital programme is funded from national- and provincial grants and transfers, borrowing and internally generated funds from current year surpluses. For 2014/15, capital transfers totals R265, 694 million (97.08 per cent) and escalates to R293, 265 million by 2016/17 (100 per cent). Borrowing has been provided at R10, 0 million for the 2014/15 year with internally generated funding totaling R6, 5 million. These funding sources are further discussed in detail in 2.6 (Overview of Budget Funding)

Table 20 MBRR Table A6 - Budgeted Financial Position**Explanatory notes to Table A6 - Budgeted Financial Position**

1. Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet).
2. This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first.

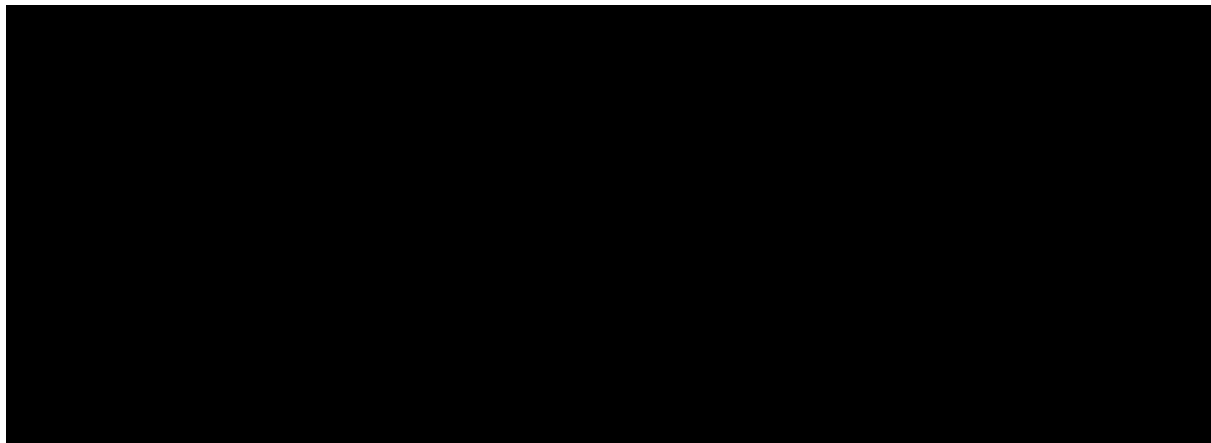
3. Table 66 is supported by an extensive table of notes (SA3 which can be found on page 102) providing a detailed analysis of the major components of a number of items, including:
 - Call investments deposits;
 - Consumer debtors;
 - Property, plant and equipment;
 - Trade and other payables;
 - Provisions noncurrent;
 - Changes in net assets; and
 - Reserves
4. The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community.
5. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

Table 21 MBRR Table A7 - Budgeted Cash Flow Statement



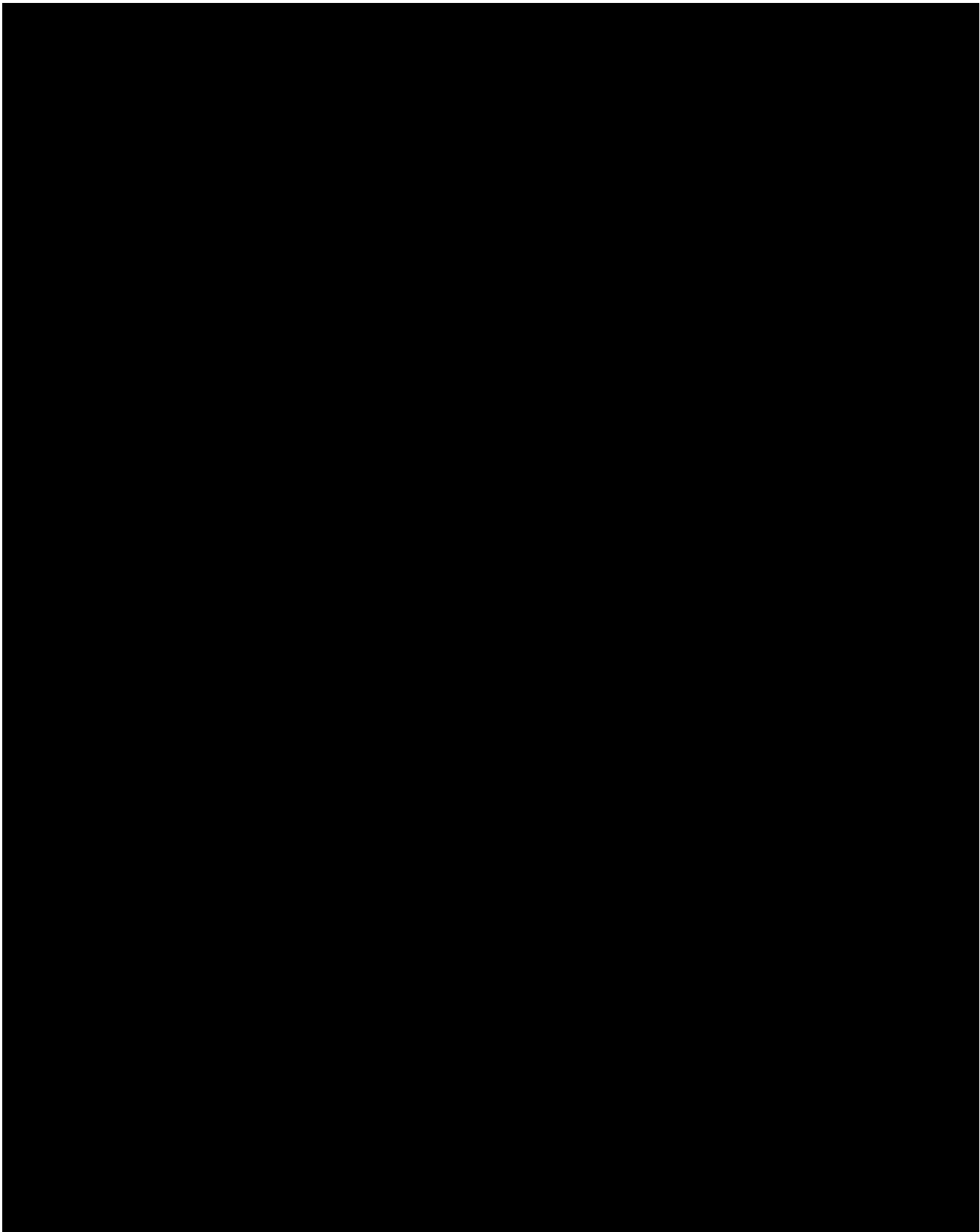
Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Table 22 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation**

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".

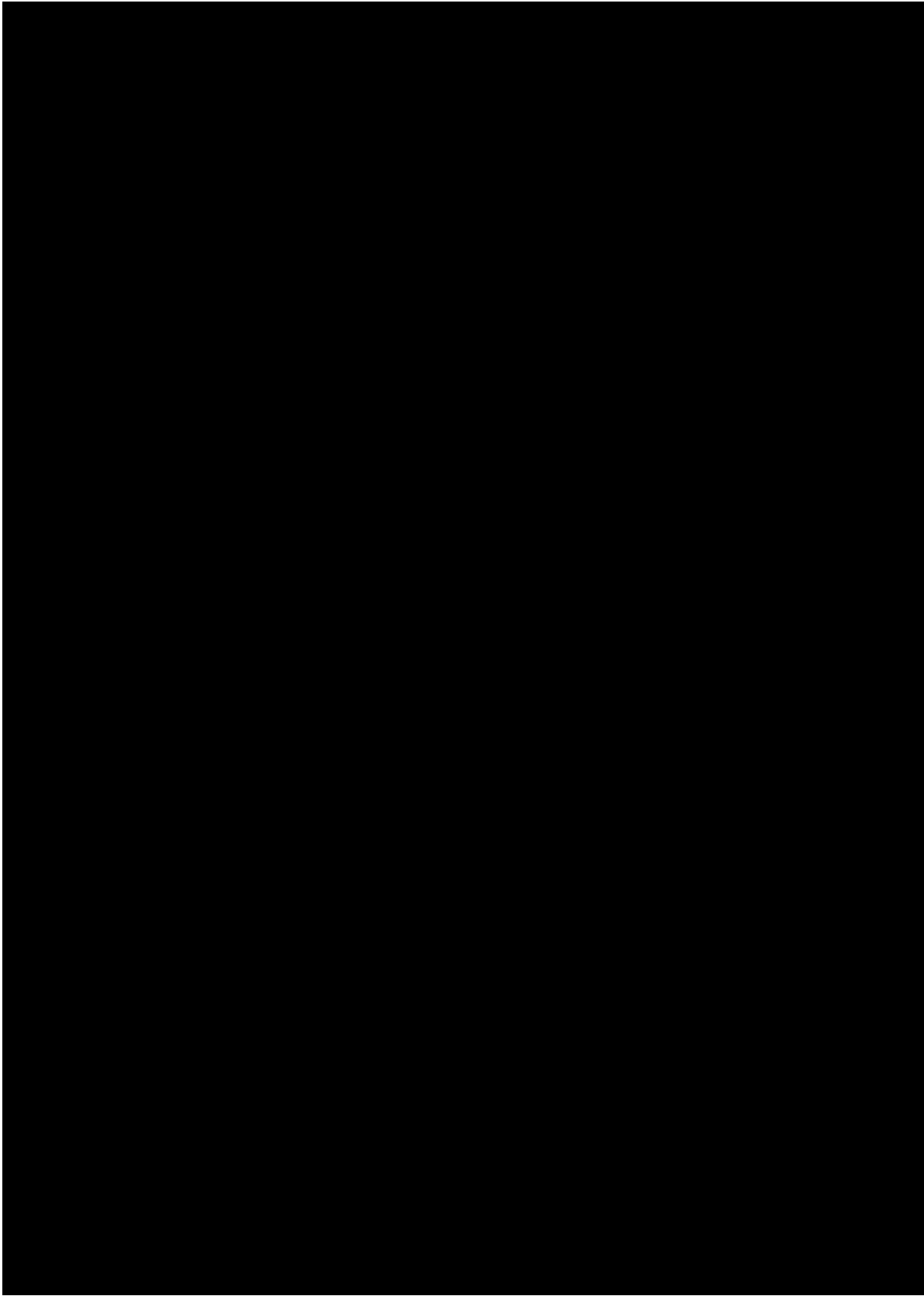
Table 23 MBRR Table A9 - Asset Management



Explanatory notes to Table A9 - Asset Management

1. Table A9 provides an overview of municipal capital allocations to building new assets and the renewal of existing assets, as well as spending on repairs and maintenance by asset class.
2. National Treasury has recommended that municipalities should allocate at least 40 per cent of their capital budget to the renewal of existing assets, and allocations to repairs and maintenance should be 8 per cent of PPE. The municipality is not in a position to meet the requirements due to its limited revenue base.

Table 24 MBRR Table A10 - Basic Service Delivery Measurement



Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.
2. Strategy – the more the municipality gives away, the less there is available to fund other services. Currently, the 'free services' represent about 4 per cent of total operating revenue.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aims of the Budget Steering Committee are to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the municipality's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2010) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required IDP and budget time schedule. Key dates applicable to the process were:

- September 2013 – Joint strategic planning session of the Mayoral Committee and Management. Aim: to review past performance trends of the capital and operating budgets, the economic realities and to set the prioritisation criteria for the compilation of the 2014/15 MTREF;
- November 2013 – Detail departmental budget proposals (capital and operating) submitted to the Budget and Treasury Office for consolidation and assessment against the financial planning guidelines;

- January 2014 - Review of the financial strategy and key economic and financial planning assumptions by the Budget Steering Committee. This included financial forecasting and scenario considerations;
- January 2014 – Multi-year budget proposals are submitted to the Executive Mayor for endorsement;
- February 2014 - Council considers the 2013/14 Mid-year Review and Adjustments Budget;
- February 2014 - Recommendations of the Executive Mayor are communicated to the Budget Steering Committee, and on to the respective departments. The draft 2013/14 MTREF is revised accordingly;
- 28 March 2014 - Tabling in Council of the draft 2014/15 IDP and 2014/15 MTREF for public consultation;
- 2-23 April 2014 – Public consultation;
- 25 April 2014 - Closing date for written comments;
- 30 April 2014 – finalisation of the 2014/15 IDP and 2014/15 MTREF, taking into consideration comments received from the public, comments from National Treasury, and updated information from the most recent Division of Revenue Bill and financial framework; and
- 30 May 2014 - Tabling of the 2014/15 MTREF before Council for consideration and approval.
- No material changes were made to the budget after the public consultation process. The capital budget, operating budget and tariff increases were work shopped extensively and accepted at all consultative meetings.

2.1.2 IDP and Service Delivery and Budget Implementation Plan

This is the sixth review of the IDP as adopted by Council in May 2006. It started in September 2013 after the tabling of the IDP Process Plan and the Budget Time Schedule for the 2014/15 MTREF in August.

The municipality's IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;
- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2014/15 Departmental Service Delivery and Budget Implementation

Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Municipal growth
- Policy priorities and strategic objectives
- Asset maintenance
- Economic climate and trends (i.e. inflation, Eskom increases, household debt, migration patterns)
- Performance trends
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 51, 54 and 55 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2014/15 MTREF as tabled before Council on 28 March 2014 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various libraries. The opportunity to give electronic feedback was also communicated on the municipality's website, and the municipality's call centre was engaged in collecting inputs via e-mail, fax and SMS.

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

The first round of community participation took place from October 2013 to November 2013. Ward Committees were utilised to facilitate the community consultation process during April 2014, and included twelve public briefing sessions. The applicable dates and venues were published in all the local newspapers and on average attendance of 200 were recorded per meeting. This is up on the previous year's process. This can be attributed to the additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2014/15 MTREF.

Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, water provision and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised.
- The affordability of tariff increases, especially water, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of

the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The national and provincial priorities, policies and strategies of importance include amongst others:

- Green Paper on National Strategic Planning of 2009;
- Government Programme of Action;
- Development Facilitation Act of 1995;
- Provincial Growth and Development Strategy (GGDS);
- National and Provincial spatial development perspectives;
- Relevant sector plans such as transportation, legislation and policy;
- National Key Performance Indicators (NKPIs);
- Accelerated and Shared Growth Initiative (ASGISA);
- National 2014 Vision;
- National Spatial Development Perspective (NSDP) and
- The National Priority Outcomes.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/15 MTREF and further planning refinements that have directly informed the compilation of the budget:

Table 25 IDP Strategic Objectives

2013/14 Financial Year	2014/15 MTREF
1. Provision of quality basic services and infrastructure	1. Provision of quality basic services and infrastructure
2. Economic growth and development that leads to sustainable job creation	2. Economic growth and development that leads to sustainable job creation
3. Fight poverty and build clean, healthy, safe and sustainable communities Integrated Social Services for empowered and sustainable communities	3.1 Fight poverty and build clean, healthy, safe and sustainable communities
	3.2 Integrated Social Services for empowered and sustainable communities
4. Fostering participatory democracy and adherence to Batho Pele principles through a caring, accessible and accountable service	4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service
5. Promote sound governance Ensure financial sustainability Optimal institutional transformation to ensure capacity to achieve set objectives	5.1 Promote sound governance
	5.2 Ensure financial sustainability
	5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others:
 - Provide electricity;
 - Provide water;
 - Provide sanitation;
 - Provide waste removal;
 - Provide housing;
 - Provide roads and storm water;
 - Provide public transport;
 - Provide municipal planning services; and
 - Maintaining the infrastructure of the municipality.
2. Economic growth and development that leads to sustainable job creation by:
 - Ensuring there is a clear structural plan for the municipality;
 - Ensuring planning processes function in accordance with set timeframes;
 - Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.
- 3.1 Fight poverty and build clean, healthy, safe and sustainable communities:
 - Effective implementation of the Indigent Policy;
 - Working with the provincial department of health to provide primary health care services;
 - Extending waste removal services and ensuring effective municipal cleansing;
 - Ensuring all waste water treatment works are operating optimally;
 - Working with strategic partners such as SAPS to address crime;
 - Ensuring safe working environments by effective enforcement of building and health regulations;
 - Promote viable, sustainable communities through proper zoning; and
 - Promote environmental sustainability by protecting wetlands and key open spaces.
- 3.2 Integrated Social Services for empowered and sustainable communities
 - Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme
4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:
 - Optimising effective community participation in the ward committee system; and
 - Implementing Batho Pele in the revenue management strategy.
- 5.1 Promote sound governance through:
 - Publishing the outcomes of all tender processes on the municipal website
- 5.2 Ensure financial sustainability through:
 - Reviewing the use of contracted services
 - Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the municipality. The five-year programme responds to the development challenges and opportunities faced by the municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the municipality so as to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It provides direction to the municipality's IDP, associated sectorial plans and strategies, and the allocation of resources of the municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the municipality;
- Initiating zone planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 26 MBRR Table SA4-Reconciliation between the IDP strategic objectives and budgeted revenue

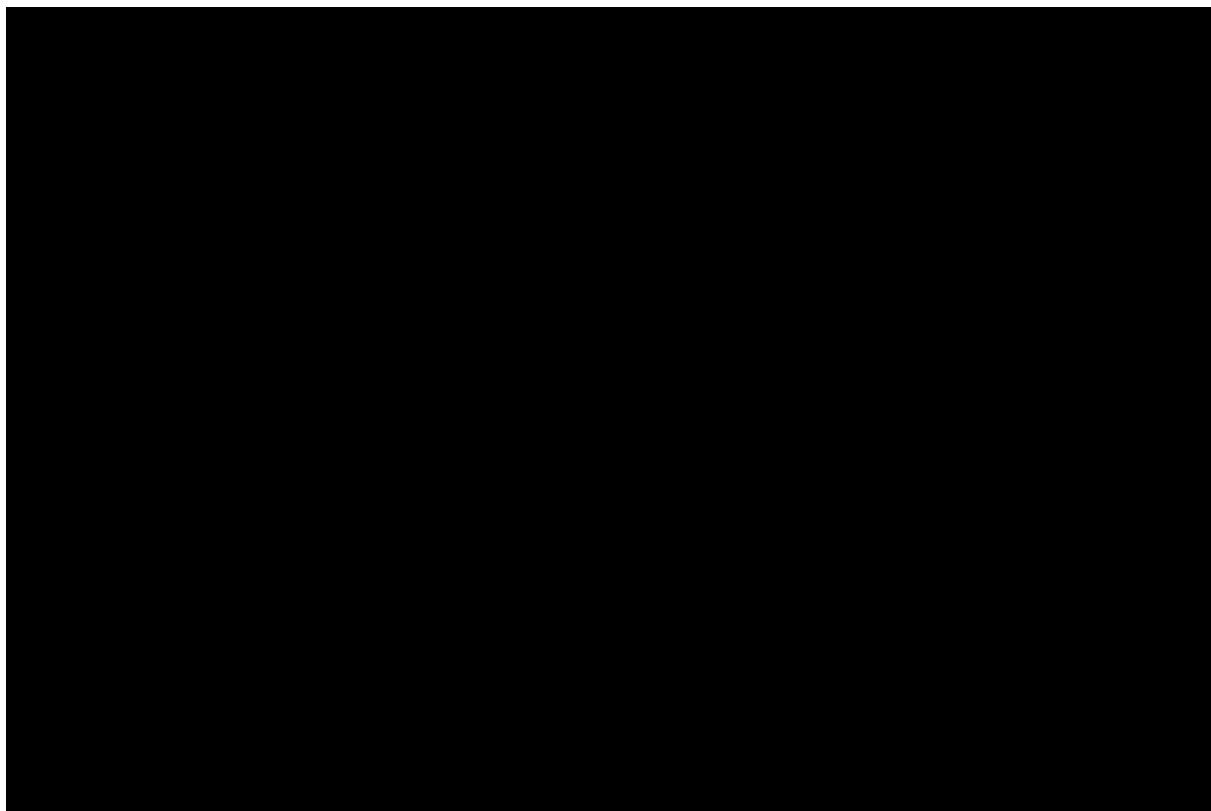


Table 27 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

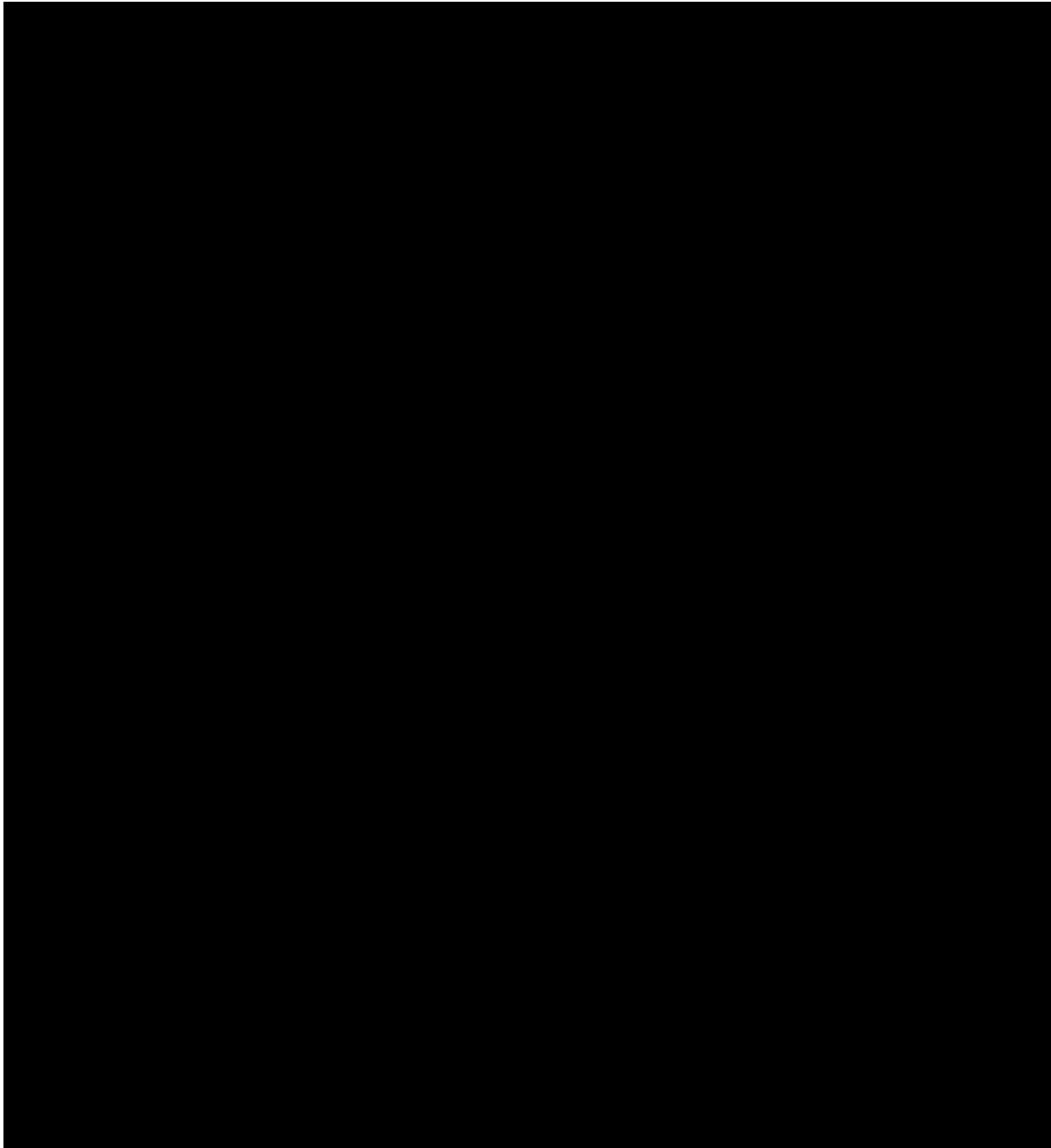
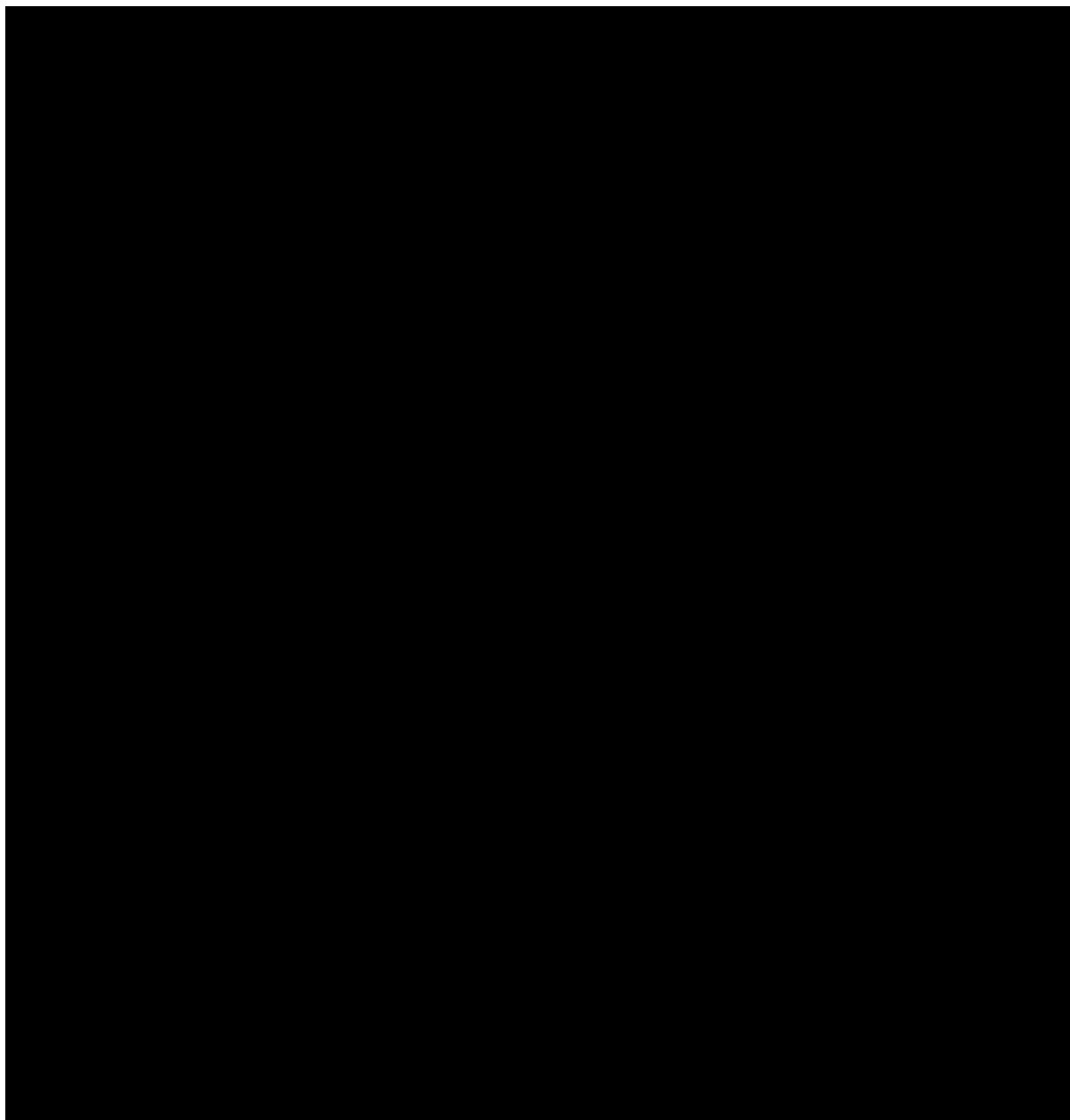


Table 28 MBRR Table SA6 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure



2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets,

monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

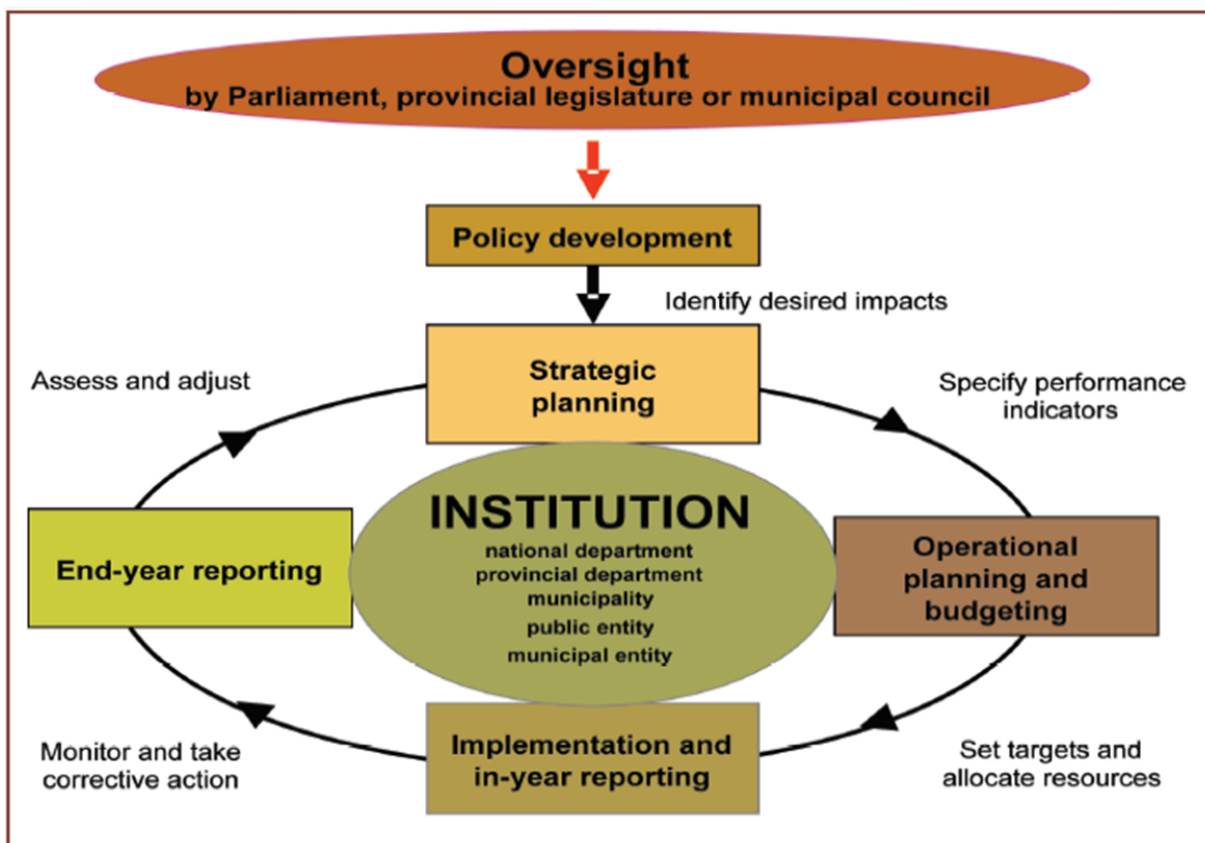


Figure 1 Planning, budgeting and reporting cycle

The performance of the municipality relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. The Madibeng Local Municipality therefore has adopted one integrated performance management system that encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and

- Improvement (making changes where necessary).

The performance information concepts used by Madibeng Local Municipality in its integrated performance management system are aligned to the **Framework of Managing Programme Performance Information** issued by the National Treasury:

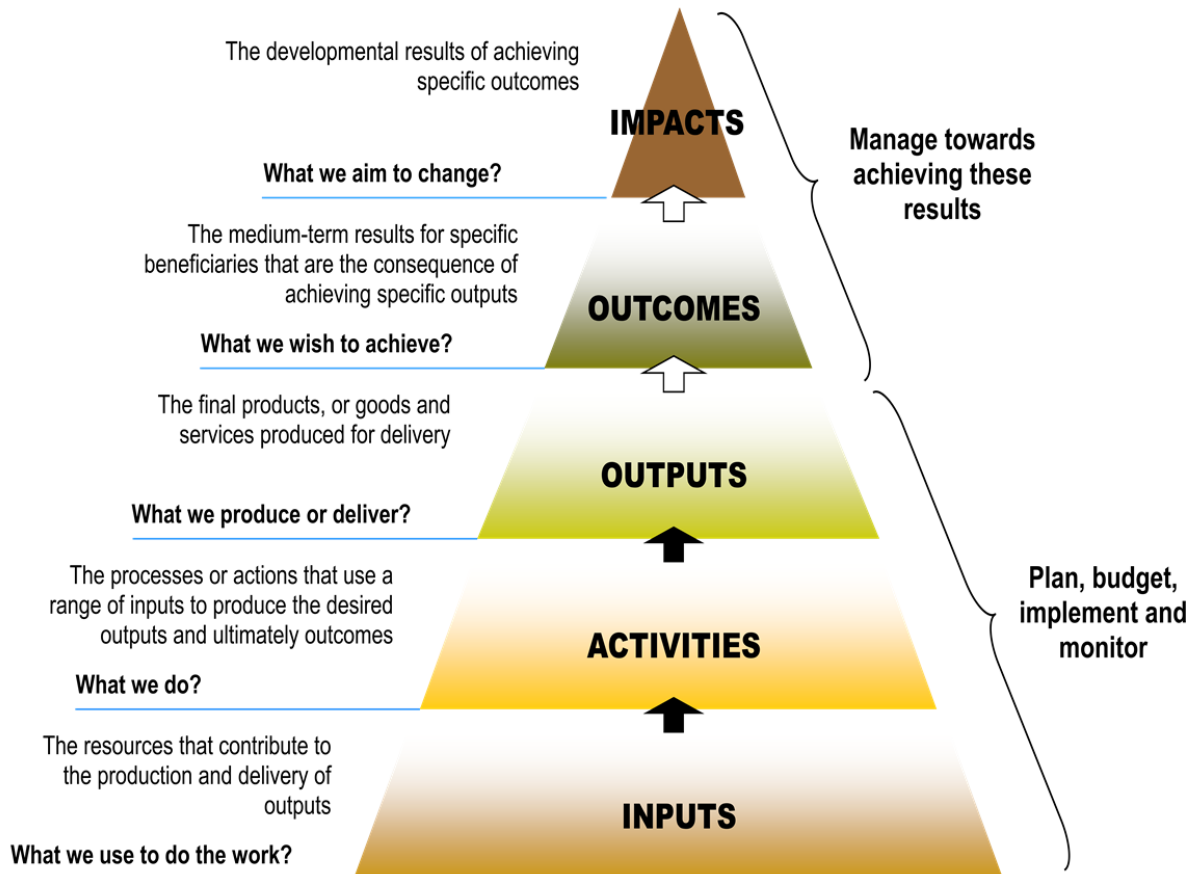
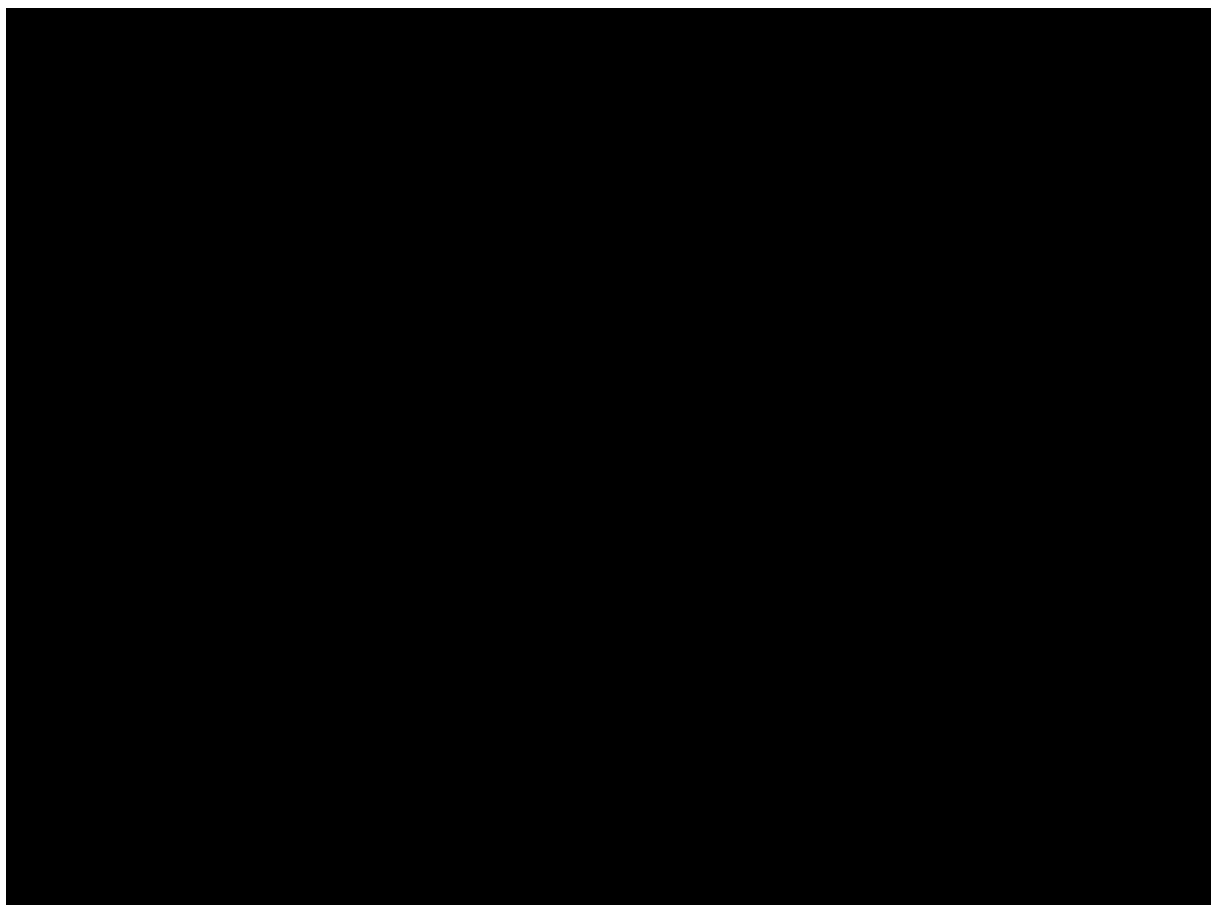


Figure 2 Definition of performance information concepts

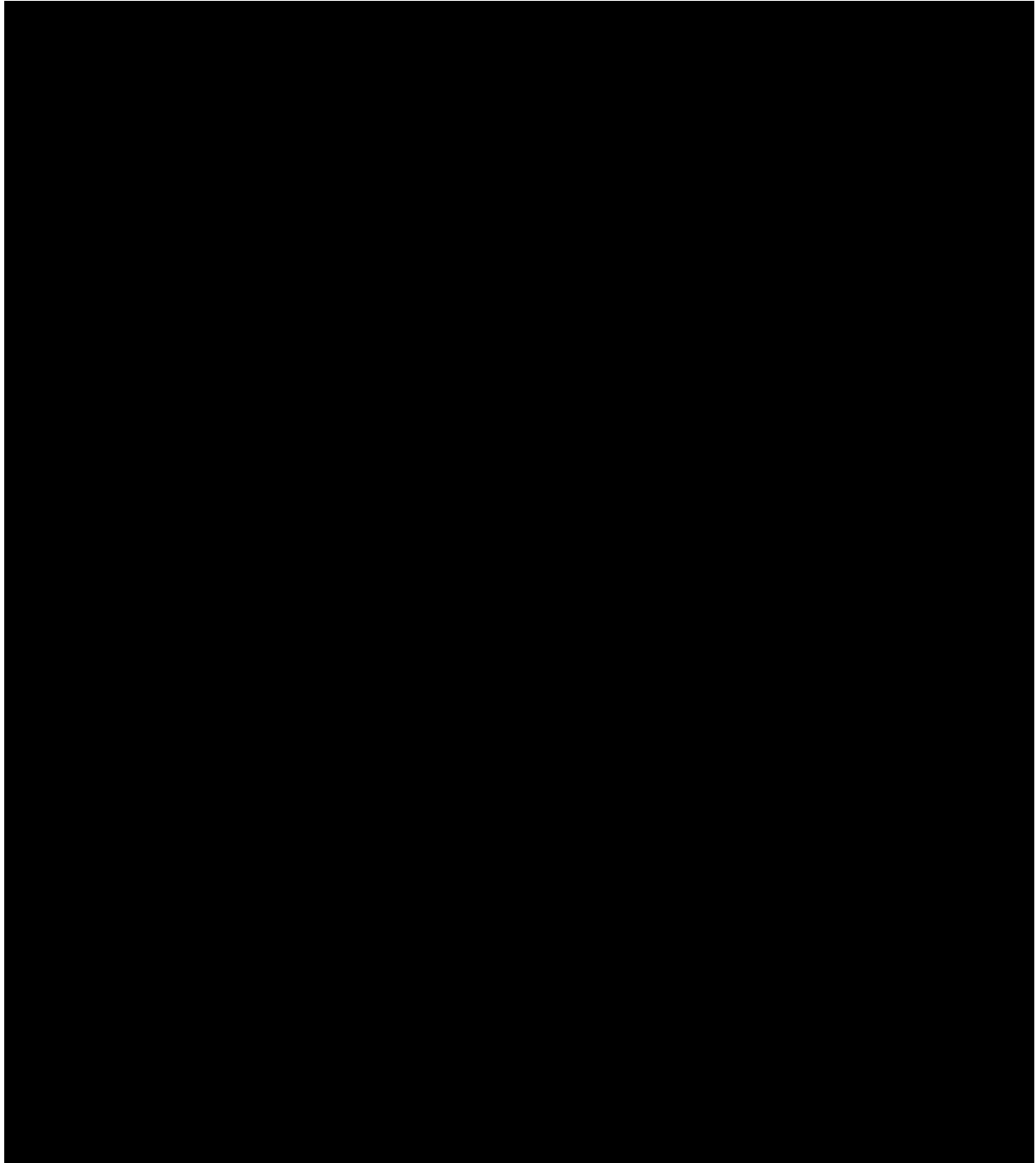
The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 29 MBRR Table SA7 - Measurable performance objectives



The following table sets out the municipalities main performance objectives and benchmarks for the 2013/14 MTREF.

Table 30 MBRR Table SA8 - Performance indicators and benchmarks



2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Madibeng Municipality's borrowing strategy is primarily informed by the affordability of debt repayments. The structure of the municipality's debt portfolio is dominated by annuity loans. The following financial performance indicators have formed part of the compilation of the 2014/15 MTREF.

The municipality's debt profile provides some interesting insights on the future borrowing capacity. Firstly, the use of amortising loans leads to high debt service costs at the beginning of the loan, which declines steadily towards the end of the loan's term.

In summary, various financial risks could have a negative impact on the future borrowing capacity of the municipality. In particular, the continued ability of the municipality to meet its revenue targets and ensure its forecasted cash flow targets are achieved will be critical in meeting the repayments of the debt service costs. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the longer term will be investigated.

2.3.1.2 Safety of Capital

- *The debt-to-equity ratio* is a financial ratio indicating the relative proportion of equity and debt used in financing the municipality's assets. The indicator is based on the total of loans, creditors, and overdraft and tax provisions as a percentage of funds and reserves. As part of the planning guidelines that informed the compilation of the 2014/15 MTREF ensuring proper cash-backing of reserves and funds has been considered a prudent financial sustainability objective.

2.3.1.3 Liquidity

- *Current ratio* is a measure of the current assets divided by the current liabilities and as a benchmark the municipality has set a limit of 1, hence at no point in time should this ratio be less than 1. For the 2014/15 MTREF the current ratio is 8.2 in the 2014/15 financial year and 4.3 and 8.4 for the two outer years of the MTREF. Going forward it will be necessary to maintain these levels.
- *The liquidity ratio* is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations. For the 2013/14 financial year the ratio was 5.0 and it has been decreased to .5 in the 2014/15 financial year. This needs to be considered a pertinent risk for the municipality as any under collection of revenue will translate into serious financial challenges for the municipality. As part of the longer term financial planning objectives this ratio will have to be set at a minimum of 1.

2.3.1.4 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

2.3.1.5 Creditors Management

- The municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the municipality, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

2.3.1.6 Other Indicators

- The water and electricity distribution losses are of serious concern and provision has been made in the capital budget for water loss control equipment.
- Employee costs as a percentage of operating revenue continues to decrease over the MTREF. This is primarily owing to the high increase in bulk purchases which directly increase revenue levels, as well as increased allocation relating to operating grants and transfers.
- Similar to that of employee costs, repairs and maintenance as percentage of operating revenue is also decreasing owing directly to cost drivers such as bulk purchases increasing far above inflation. In real terms, repairs and maintenance has increased as part of the municipality's strategy to ensure the management of its asset base.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the municipality. With the exception of water, only registered indigents qualify for the free basic services.

For the 2014/15 financial year 3559 registered indigents have been provided for in the budget with this figured increasing to a estimated 10 000 by 2015/16. In terms of the Municipality's indigent policy registered households are entitled to 6kl fee water, 50 Kwh of electricity, free sanitation and free waste removal equivalent to one removal once a week, as well as a discount on their property rates.

Further detail relating to the number of households receiving free basic services, the cost of free basic services, highest level of free basic services as well as the revenue cost associated with the free basic services is contained in Table 27 MBRR A10 (Basic Service Delivery Measurement) on page 38.

Note that the number of households in informal areas that receive free services and the cost of these services (e.g. the provision of water through stand pipes, water tankers, etc) are not taken into account in the table noted above.

2.3.3 Providing clean water and managing waste water

The municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider. Approximately 71 per cent of the municipality's bulk water needs are provided directly by Rand Water and the City of Tshwane in the form of purified water. The remaining 29 per cent is generated from the municipality's own water sources, such as boreholes and national dams such as Hartebeespoort.

The following is briefly the main challenges facing the municipality in this regard:

- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes; and
- There is a lack of proper regional catchment management, resulting in storm water entering the sewerage system.

The following are some of the steps that have been taken to address these challenges:

- Infrastructure shortcomings are being addressed through the capital budget in terms of a 5-year upgrade plan;
- The filling of vacancies has commenced and the Waste Water Division will embark on an in-house training programme, especially for operational personnel;
- Eskom is to install dedicated power supply lines to the plants; and
- The Division is working in consultation with the Department of Water Affairs to address catchment management.

2.4 Overview of budget related-policies

The municipality's budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Review of credit control and debt collection procedures/policies

The Credit Control and Debt Collection Policy as approved by Council in May 2013 are currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt. In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed, the funds provided in the EPWP should aim to link the registered indigent households to development, skills and job opportunities. The programme also seeks to

ensure that all departments as well as external role players are actively involved in the reduction of the number of registered indigent households.

The 2014/15 MTREF has been prepared on the basis of achieving an average debtors' collection rate of 75 per cent on current billings. In addition the collection of debt in excess of 90 days has been prioritised as a pertinent strategy in increasing the municipality's cash levels.

The threshold for indigent households and pensioners has been increased to R 2500 per month per households.

2.4.2 Asset Management, Infrastructure Investment and Funding Policy

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Preserving the investment in existing infrastructure needs to be considered a significant strategy in ensuring the future sustainability of infrastructure and the municipality's revenue base.

Further, continued improvements in technology generally allows many assets to be renewed at a lesser 'real' cost than the original construction cost. Therefore, it is considered prudent to allow for a slightly lesser continual level of annual renewal than the average annual depreciation. The Asset Management, Infrastructure and Funding Policy is therefore considered a strategic guide in ensuring a sustainable approach to asset renewal, repairs and maintenance and is utilised as a guide to the selection and prioritisation of individual capital projects. In addition the policy prescribes the accounting and administrative policies and procedures relating to property, plant and equipment (fixed assets).

2.4.3 Budget Approval Policy

The budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the municipality continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

2.4.4 Supply Chain Management Policy

Council adopted the Supply Chain Management Policy in May 2013. An amended policy will be considered by Council in due course of which the amendments will be extensively consulted on. A Standard Operating Procedure Manual on SCM has been developed and implemented.

2.4.5 Budget and Virement Policy

The Budget and Virement Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the municipality's system of delegations. Council approved the Budget and Virement Policy in May 2013.

2.4.6 Cash Management and Investment Policy

Council amended the Municipality's Cash Management and Investment Policy in May 2013. The aim of the policy is to ensure that the municipality's surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

2.4.7 Tariff Policies

The municipality's tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policy has been revised and is submitted for approval. Provision for a 100 per cent subsidy for indigents and pensioners has been provided.

All the above policies are available on the Municipality's website, as well as the following budget related policies:

- Property Rates Policy;
- Funding and Reserves Policy;
- Borrowing Policy;
- Budget Policy; and
- Indigent Policy.

2.5 Overview of budget assumptions

2.5.1 External factors

The official unemployment rate rose to 25,5 percent of the labour force.

The total number of unemployed people stood at 4,67million

It is expected that recovery from this deterioration will be slow and uneven, and that growth for 2014 will be 2.7 per cent rising to 3.5 per cent by 2016.

Owing to the economic slowdown, financial resources are limited due to reduced payment levels by consumers. This has resulted in declining cash inflows, which has necessitated restrained expenditure to ensure that cash outflows remain within the affordability parameters of the municipality's finances.

2.5.2 General inflation outlook and its impact on the municipal activities

There are five key factors that have been taken into consideration in the compilation of the 2014/15 MTREF:

- National Government macro economic targets;
- The general inflationary outlook and the impact on municipality's residents and businesses;
- The impact of municipal cost drivers;
- The increase in prices for bulk electricity and water; and

- The increase in the cost of remuneration. Employee related costs comprise 22,75 per cent of total operating expenditure in the 2014/15 MTREF and therefore this increase above inflation places a disproportionate upward pressure on the expenditure budget. Credit rating outlook

Table 31 Credit rating outlook

Security class	Currency	Rating	Annual rating 2009/10	Previous Rating
Short term	Rand	Prime -1	20 April 2010	Prime -1
Long-term	Rand	Aa3	20 April 2010	Aa3
Outlook	Rand	Negative	20 April 2010	Negative

The rating definitions are:

- Short term : Prime – 1
Short-Term Debt Ratings (maturities of less than one year)
Prime-1 (highest quality)
- Long-term : Aa3
Defined as high-grade. “Aa” rated are judged to be of high quality and are subject to very low credit risk.

2.5.3 Interest rates for borrowing and investment of funds

The MFMA specifies that borrowing can only be utilised to fund capital or refinancing of borrowing in certain conditions. The Municipality engages in a number of financing arrangements to minimise its interest rate costs and risk. However, for simplicity the 2014/15 MTREF is based on the assumption that all borrowings are undertaken using fixed interest rates for amortisation-style loans requiring both regular principal and interest payments. As part of the compilation of the 2014/15 MTREF the potential of smoothing out the debt profile over the long term will be investigated.

2.5.4 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (75 per cent) of annual billings. Cash flow is assumed to be 75 per cent of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.5.5 Growth or decline in tax base of the municipality

Debtor's revenue is assumed to increase at a rate that is influenced by the consumer debtor's collection rate, tariff/rate pricing, real growth rate of the municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

It is important to note that Madibeng is a predominately rural municipality with many towns and villages under traditional management with limited revenue derived from the informal villages. Formalisation of these rural villages should be addressed as a high priority to broaden the municipality's revenue base.

2.5.6 Salary increases

Provision has been made for a 6.79% salary increase in terms of the guidelines from National Treasury

2.5.7 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

- Creating jobs;
- Enhancing education and skill development;
- Improving Health services;
- Rural development and agriculture; and
- Fighting crime and corruption.

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.5.8 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 97 per cent is achieved on operating expenditure and 98 per cent on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

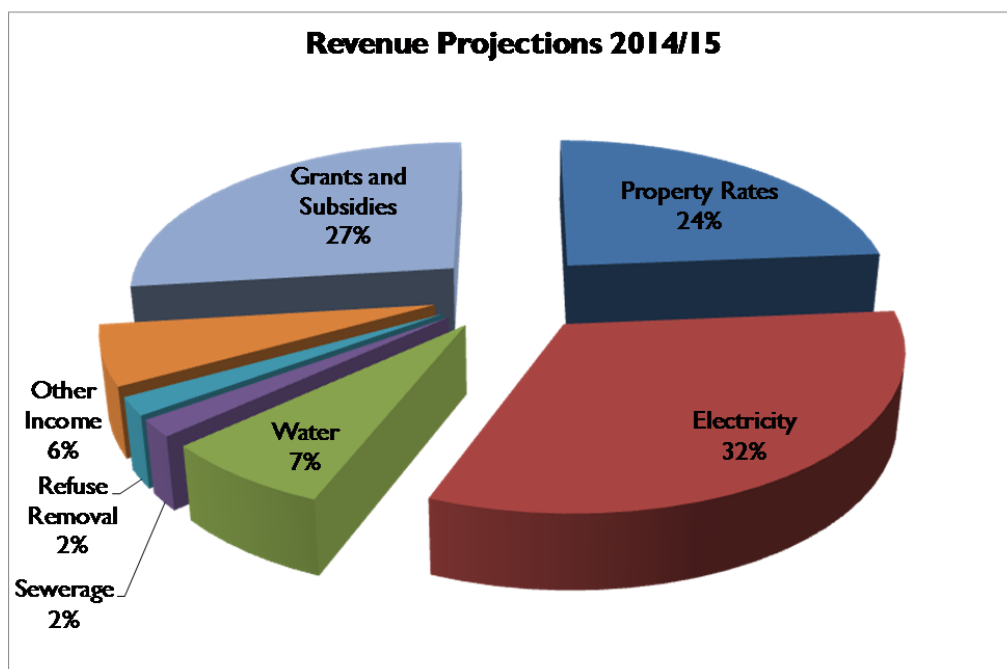
2.6 Overview of budget funding

2.6.1 Medium-term outlook: operating revenue

The following table is a breakdown of the operating revenue over the medium-term:

Table breakdown of the operating revenue over the medium term

Description	2014/2017 Medium Term Revenue & Expenditure Framework				
	Budget Year		Budget Year +1		Budget Year +2
R Thousands	2014/2015	%	2014/2015	%	2015/2016
Property Rates	330,083	23,68%	347,908	22,67%	366,952
Service Charges	601, 567	43.15%	634,052	41,32%	668.291
Investment revenue	3,942	00,28%	4,155	00,27%	4,379
Transfers Recognized - Operational	375,958	26,96%	461,473	30,07%	512,488
Other Own Revenue	82,460	5,91%	86,805	5,66%	91,385
Total Operating Revenue (Excluding Capital Transfers and Contributions)	1 394 010	100%	1 534 393	100%	1 643239
Total Operating Expenditure	1 393 392		1 534 244		1 642939
Surplus (Deficit)	80 000		150,000		300,000

**Figure 7 Breakdown of operating revenue over the 2014/15 MTREF**

Tariff setting plays a major role in ensuring desired levels of revenue. Getting tariffs right assists in the compilation of a credible and funded budget. The municipality derives most of its operational revenue from the provision of goods and services such as water, sanitation and solid waste removal. Property rates, operating and capital grants from organs of state and other minor charges (such as building plan fees, licenses and permits etc).

The revenue strategy is a function of key components such as:

- Growth in the municipality and economic development;
- Revenue management and enhancement;
- Achievement of a 75 per cent annual collection rate for consumer revenue;
- National Treasury guidelines;

- Electricity tariff increases within the National Electricity Regulator of South Africa (NERSA) approval;
- Achievement of full cost recovery of specific user charges;
- Determining tariff escalation rate by establishing/calculating revenue requirements;
- The Property Rates Policy in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA), and
- And the ability to extend new services and obtain cost recovery levels.

The above principles guide the annual increase in the tariffs charged to the consumers and the ratepayers aligned to the economic forecasts.

The proposed tariff increases for the 2014/15 MTREF on the different revenue categories are:

Table 32 Proposed tariff increases over the medium-term

	2013/2014	2014/2015	2015/2016	2013/2014	2014/2015	2015/2016
Revenue Category	Proposed Tariff	Proposed Tariff	Proposed Tariff	Additional	Additional	Budget
	Increase	Increase	Increase	Revenue for	Revenue owing to	Revenue
				Each 1% Tariff	6% and 10% Tariff	
				Increase	Increase	
Property Rates	6.00%	5.8.00%	5.4.00%	3183	31830	
Sanitation	10.00%	18.00%	5.4.00%	2177	21770	
Solid Waste	10.00%	5.8.00%	5.4.00%	2354	23540	
Water	10.00%	18.00%	5.4.00%	8177	81770	
Electricity	7.00%	5.8.00%	5.4.00%	3686	36860	
TOTAL				19577	195770	

Revenue to be generated from property rates is R 330,083 million in the 2014/15 financial year and increases to R347,908 million by 2015/16 which represents 23,07 per cent of the operating revenue base of the municipality. It remains relatively constant over the medium-term. With the implementation of the Municipal Property Rates Act the basis of rating significantly changed. A new valuation roll will be implemented with effect from 1 July 2014.

Services charges relating to water, electricity, sanitation and refuse removal constitutes the biggest component of the local revenue basket of the municipality totalling R601,567 million for the 2014/15 financial year and increasing to R634,052 million by 2015/16. For the 2014/15 financial year services charges amount to 39,25 per cent of the total revenue base and grows by 6 per cent per annum over the medium-term. This growth can mainly be attributed to the increase in the bulk prices of water and other operating costs.

Operational grants and subsidies amount to R375,958 million, R461,473 million and R512,488 million for each of the respective financial years of the MTREF, or 28,48; 31,39 and 32,32 per cent of operating revenue. It needs to be noted that in real terms the grants receipts from national government are growing rapidly over the MTREF by 21,89 per cent and by 22,77 per cent and 9,72 for the two outer years. The percentage of the total operational grants and transfers in relation to the total operating revenue indicates that the municipality remains moderate dependent on grants.

Investment revenue and interest on outstanding debtors contributes nominal amounts to the revenue base of the municipality with a budget allocation of R 173,315 million, R148,832 million and R133,932 million for the respective three financial years of the 2014/15 MTREF. It needs to be noted that these allocations have been conservatively estimated and as part of the cash backing of reserves and provisions. The actual performance against budget will be carefully monitored. Any variances in this regard will be addressed as part of the mid-year review and adjustments budget.

The tables below provide detail investment information and investment particulars by maturity.

Table 33 MBRRSA15 – Detail Investment Information

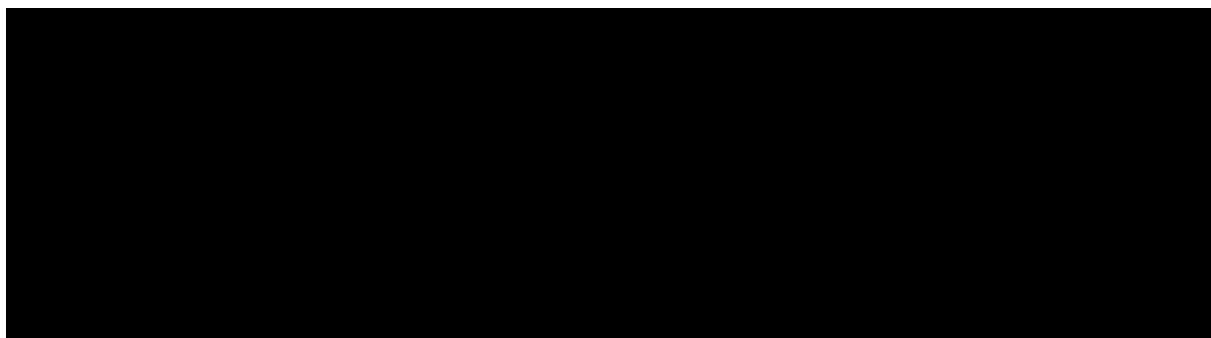
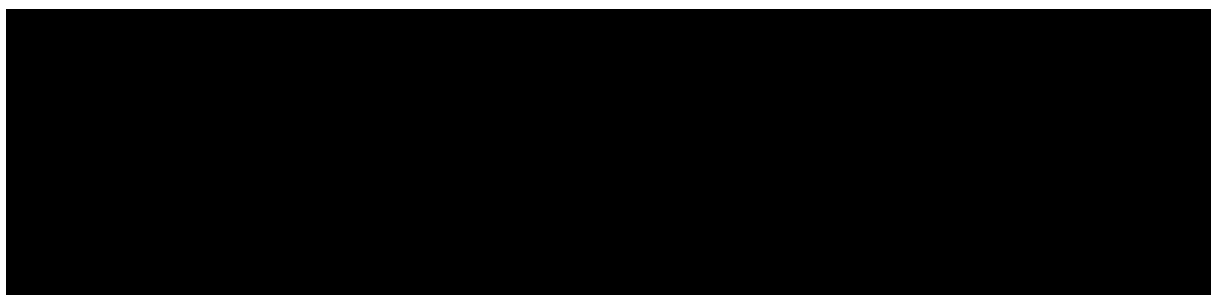
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Table 34 MBRRSA16 – Investment particulars by maturity

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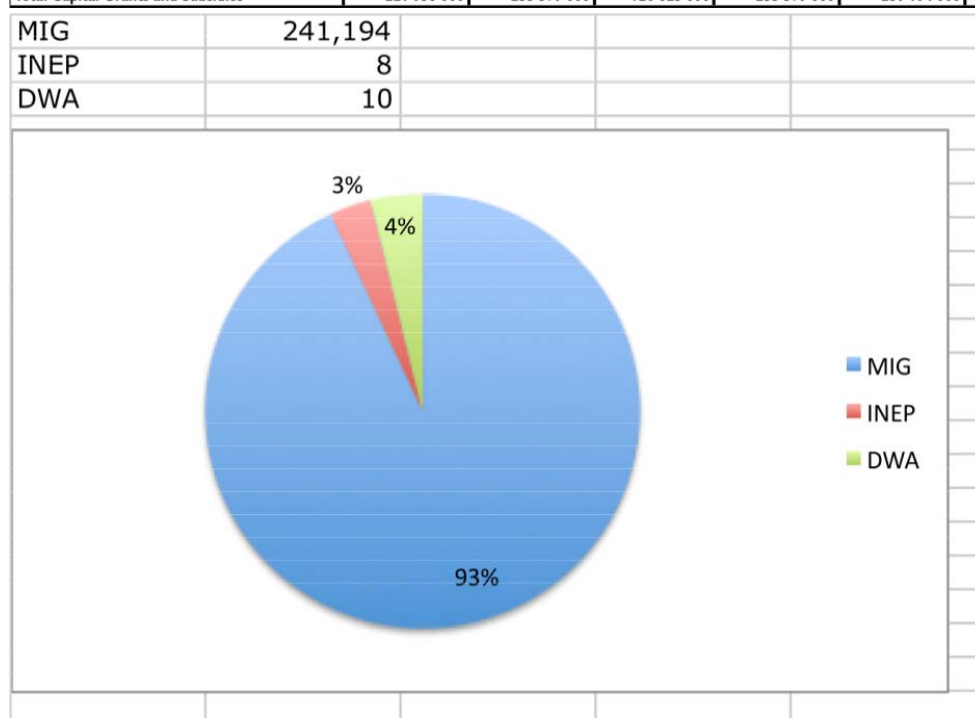
The MTREF therefore provides for a budgeted surplus of R 80,000 thousand, R150,000 thousand and R300,000 in each of the financial years.

2.6.2 Medium-term outlook: capital revenue

The following table is a breakdown of the funding composition of the 2014/15 medium-term capital programme:

Table 35 Sources of capital revenue over the MTREF

Description	Approved Budget	Adjustment Budget	YTD Recieved	Proj Inc/Exp	Budget	Budget	Budget
	2013/14	2013/14	Feb-14	Jun-14	2014/15	2015/16	2016/17
Municipal Infrastructure Grant	216 956 000	216 956 000	110 000 000	216 956 000	241 194 000	253 548 000	265 707 000
Expanded Public Works Programme	2 000 000	2 573 000	2 573 000	2 573 000	-	-	-
Integrated National Electrification Programme	3 000 000	3 000 000	3 000 000	3 000 000	8 000 000	20 000 000	18 000 000
Energy Efficiency and Demand Side Management	-	-	-	-	-	5 000 000	5 000 000
DWA Refurbishment	-	8 650 000	8 650 000	8 650 000	10 000 000	10 000 000	5 000 000
Fire and Emergency Grant in aid (Fire Services)	-	300 000	300 000	300 000	-	-	-
Disaster Management	-	2 100 000	2 100 000	2 100 000	-	-	-
Total Capital Grants and Subsidies	221 956 000	233 579 000	126 623 000	233 579 000	259 194 000	288 548 000	293 707 000

**Figure 8 Sources of capital revenue for the 2014/15 financial year**

Capital grants and receipts equates to 92 per cent of the total funding source which represents R265 678 million for the 2014/15 financial year and steadily increase to R288 264 million or 100 per cent by 2016/17.

As explained earlier, the borrowing capacity of the municipality has essentially reached its limits and going forward borrowing limits will remain nominal if any.

The following table is a detailed analysis of the municipality's borrowing liability.

Table 36 MBRR Table SA 17 - Detail of borrowings

The following graph illustrates the growth in outstanding borrowing and decrease in borrowing for the 2014/2015 to 2016/17 period.

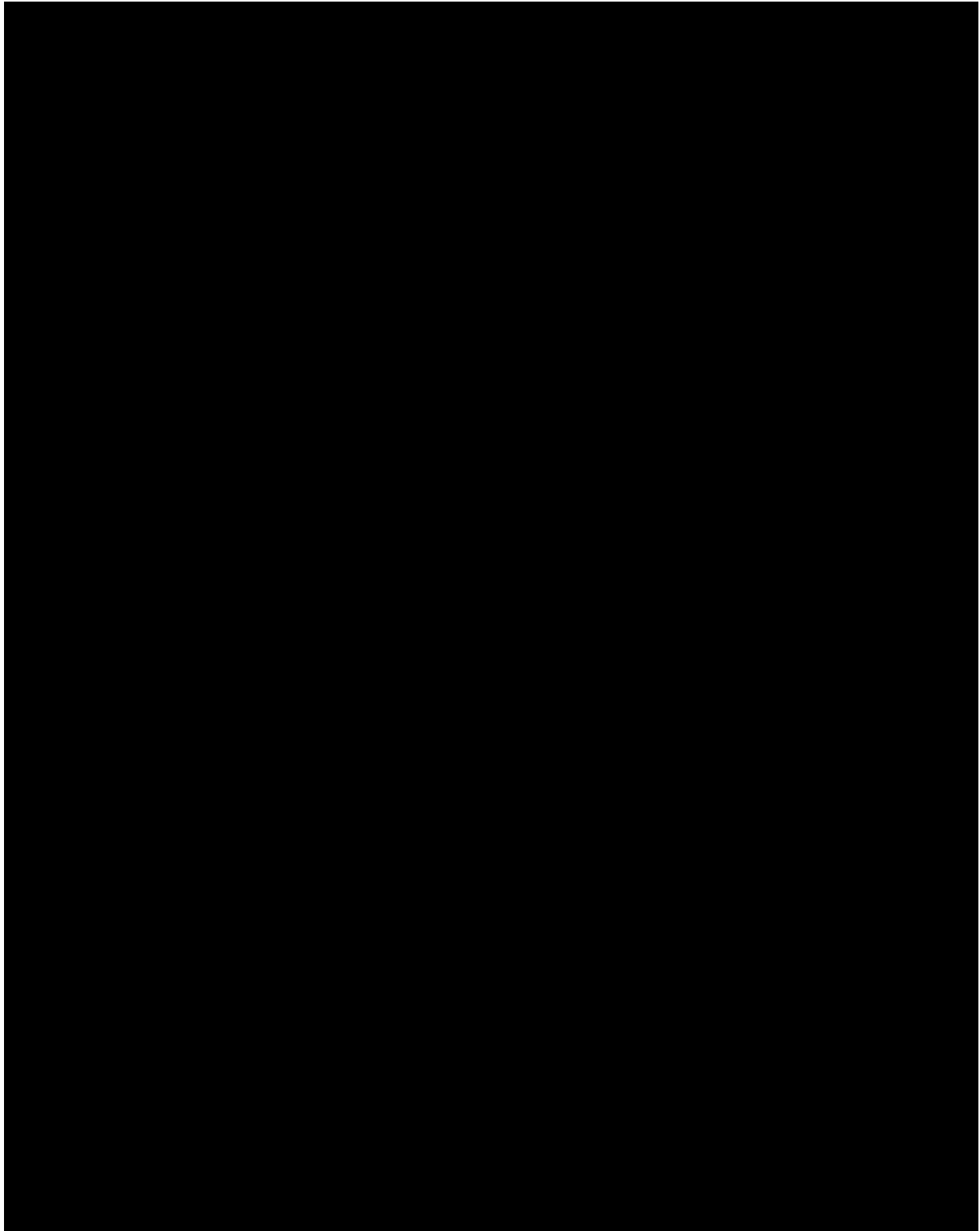
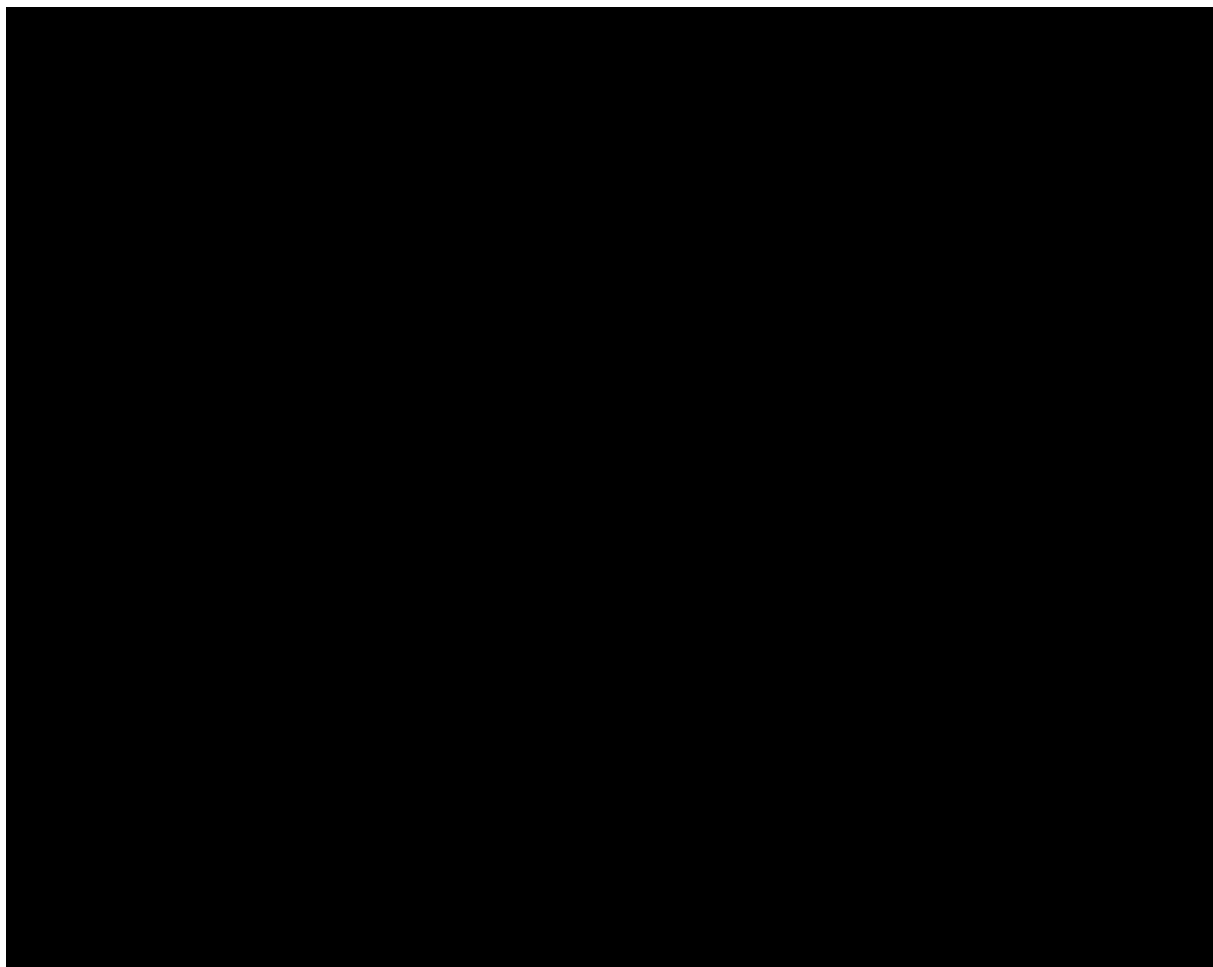
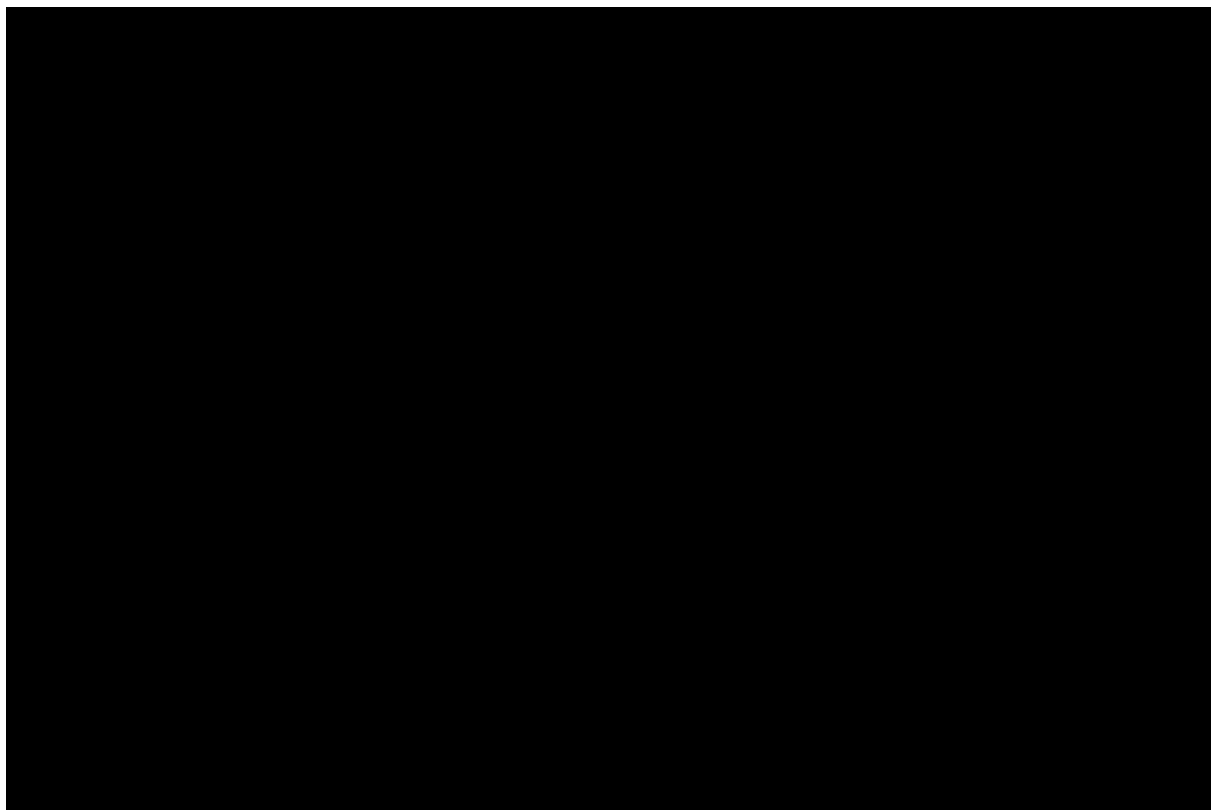


Table 37 MBRR Table SA 18 - Capital transfers and grant receipts

2.6.3 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provide for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 38 MBRR Table A7 - Budget cash flow statement

The above table shows that the cash and cash equivalents of the municipality were largely depleted but will increase with the strict debt collection that will be implement during the last quarter of the 2014/2015 financial year.

Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 42 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash:

- What are the predicted cash and investments that are available at the end of the budget year?
- How are those funds used?
- What is the net funds available or funding shortfall?

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years

there were much larger surpluses then this negative trend may be a concern that requires closer examination.

Table 39 MBRR Table A8 - Cash backed reserves/accumulated surplus reconciliation

From the above table it can be seen that the cash and investments available shows figures that were decreasing during the 2013/2014 and outer years of the MTREF.

The above is due to the fact that all capital grants will be spend in future and that there will be no rollovers again.

The following graph provide an analyses of the tends relating cash and cash equivalents and the cash back reserves/accumulated funds reconciliation over a seven year perspective.

2.6.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 40 MBRR SA10 – Funding compliance measurement

NW372 Madibeng Supporting Table SA10 Funding measurement

Description	MFMA section	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
			Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17

2.6.4.1 Cash/cash equivalent position

The municipality's forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements

2.6.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.6.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the municipality to meet monthly payments as and when they fall due. It is especially important to consider the position should the municipality be faced with an unexpected disaster that threatens revenue collection such as rate boycotts. Notably, the ratio has been increasing significantly for the period 2013/2014 to 2014/15, moving from 1.8 to 0.9 with the adopted 2014/15 MTREF. As part of the 2014/15 MTREF the municipalities improving cash position causes the ratio to move upwards to 1.0 and then increases slightly to 1.2 for the outer years. As indicated above the municipality aims to achieve at least one month's cash coverage in the medium term, and then gradually move towards two months coverage. This measure will have to be carefully monitored going forward.

2.6.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/15 MTREF the indicative outcome is a relative small surplus and turns negative when depreciation is set of against revenue.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.6.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 3 - 6 per cent). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 2,8 per cent for the respective financial year of the 2014/15 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 6 per cent. However, the outcome is lower than it might be due to the slowdown in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.6.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 75, 0, 78, 5 and 82,7 per cent for each of the respective financial years. Given that the assumed collection rate was based on a 75 per cent performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.6.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 25 per cent over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.6.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.6.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 75.4 per cent of own funded capital for the 2014/15 financial year and decrease to zero in the two outer years. Further details relating to the borrowing strategy of the municipality can be found on 66.

2.6.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The municipality has budgeted for all transfers.

2.6.4.11 Consumer debtors change (Current and Non-current)

The purpose of these measures are to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the municipality's policy of settling debtors accounts within 30 days.

2.6.4.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected. Details of the municipality's strategy pertaining to asset management and repairs and maintenance is contained in Table 60 MBRR SA34C on page 90.

2.6.4.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page 89.

2.7 EXPENDITURE ON GRANTS AND RECONCILIATIONS OF UNSPENT FUNDS

TABLE 41 MBRR SA19 - EXPENDITURE ON TRANSFERS AND GRANT PROGRAMMES

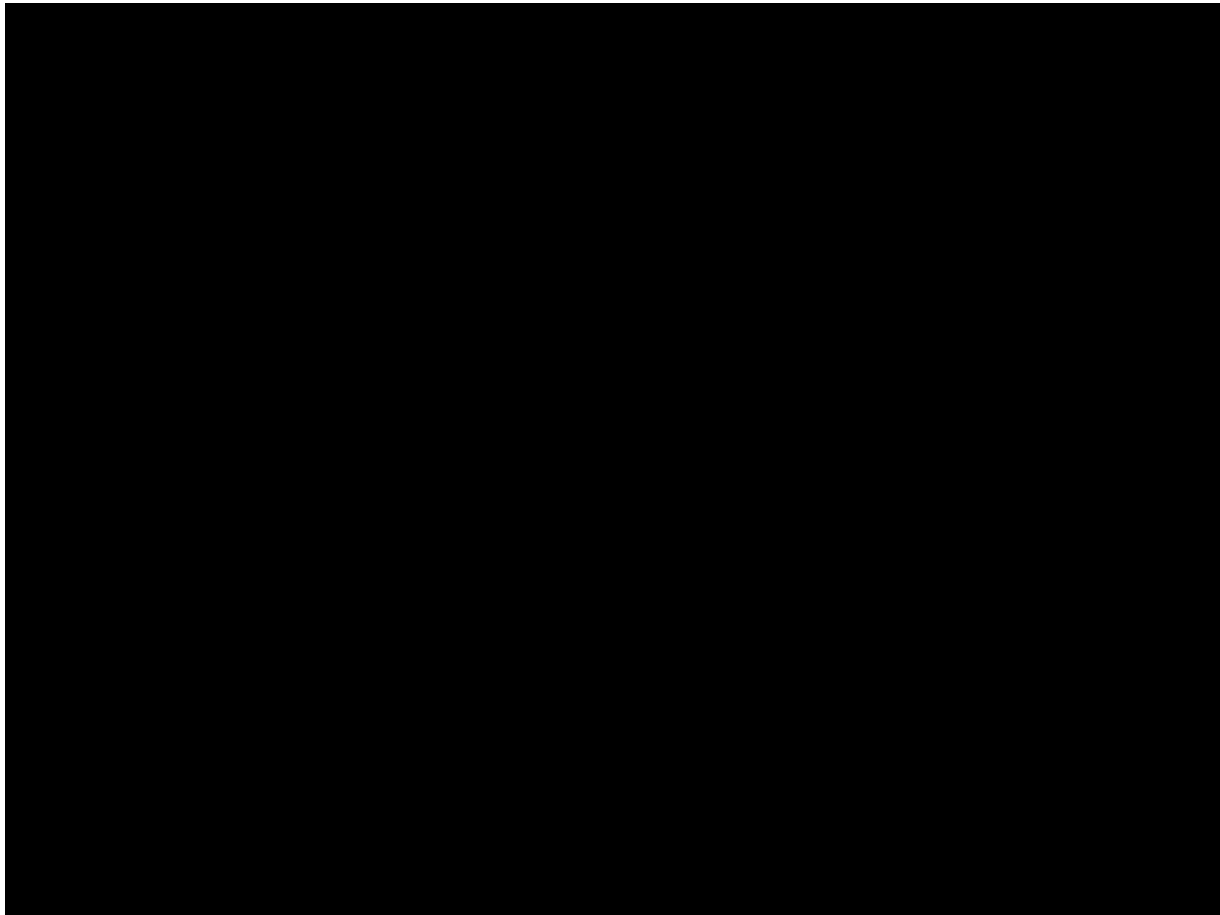
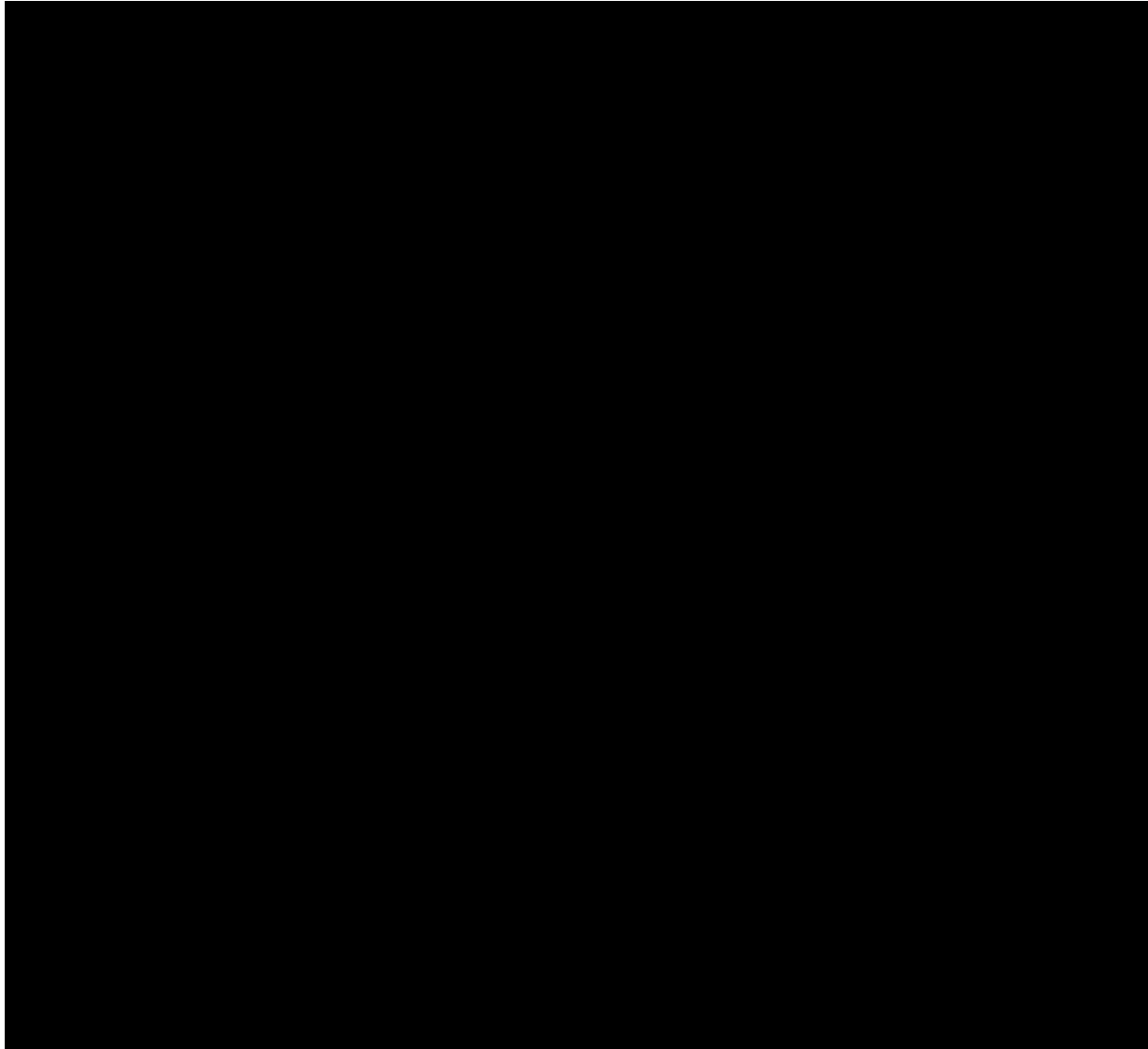


TABLE 42 MBRR SA 20 - RECONCILIATION BETWEEN OF TRANSFERS, GRANT RECEIPTS AND UNSPENT FUNDS



2.8 COUNCILLOR AND EMPLOYEE BENEFITS

TABLE 43 MBRR SA22 - SUMMARY OF COUNCILLOR AND STAFF BENEFITS

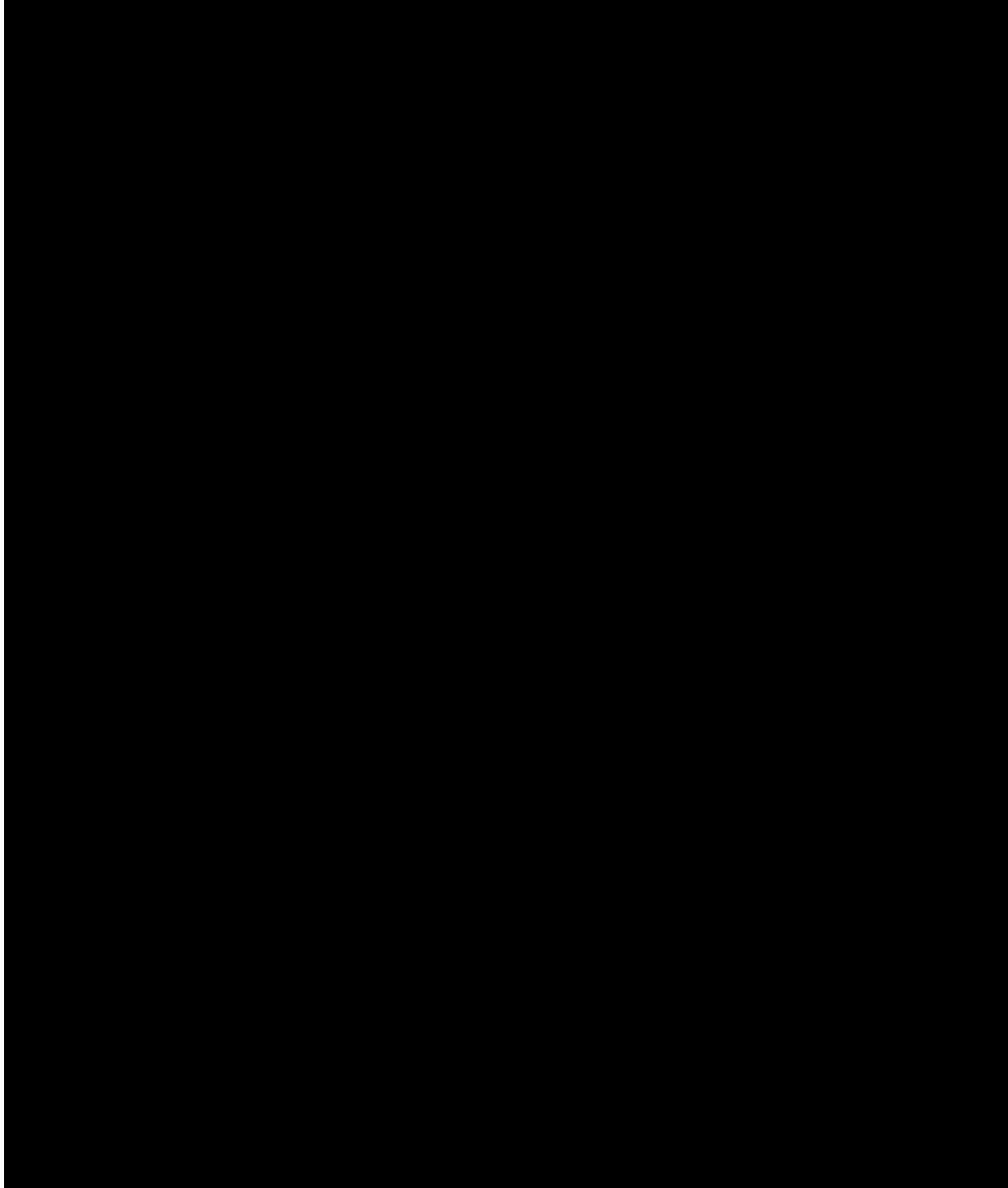
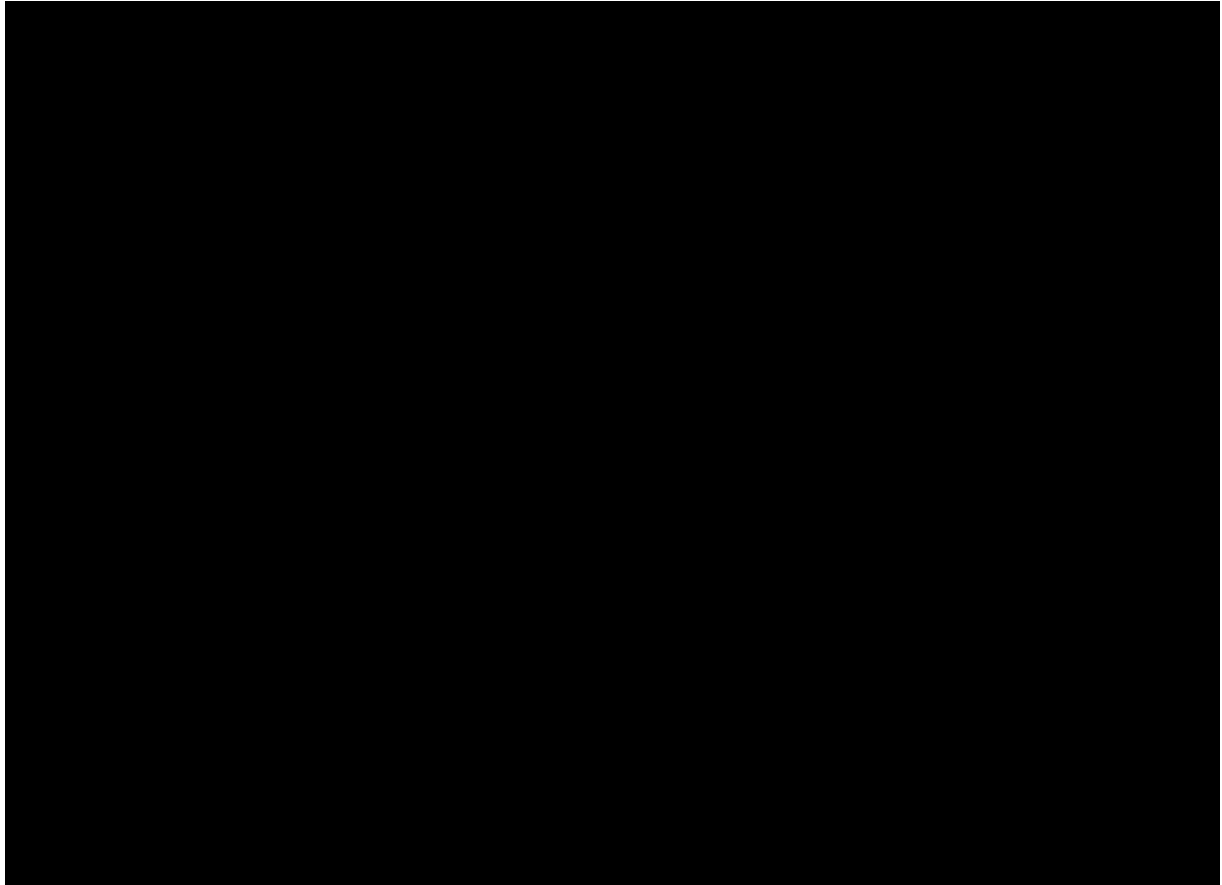
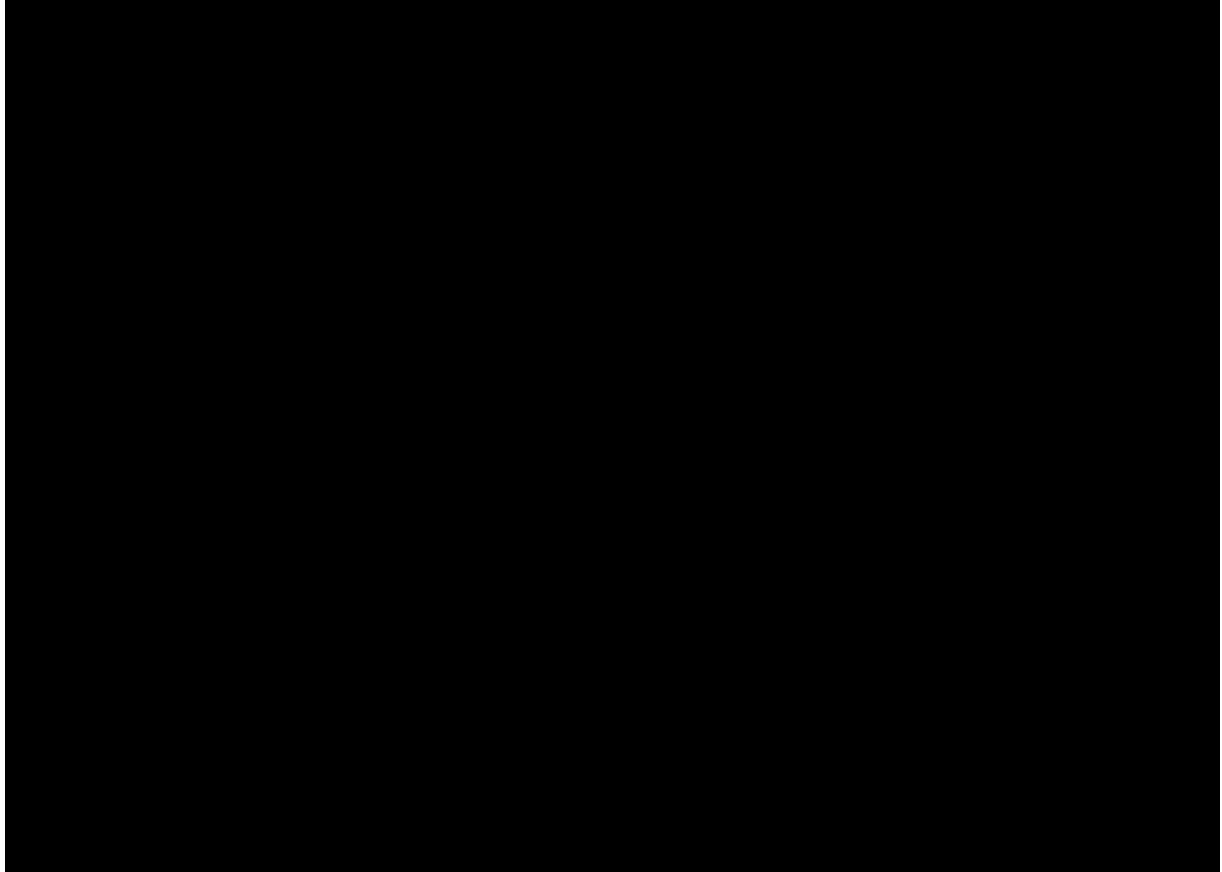


TABLE 44 MBRR SA23 - SALARIES, ALLOWANCES AND BENEFITS (POLITICAL OFFICE BEARERS/COUNCILLORS/ SENIOR MANAGERS)



MBRR SA24 – SUMMARY OF PERSONNEL NUMBERS



2.9 MONTHLY TARGETS FOR REVENUE, EXPENDITURE AND CASH FLOW

TABLE 46 MBRR SA25 - BUDGETED MONTHLY REVENUE AND EXPENDITURE

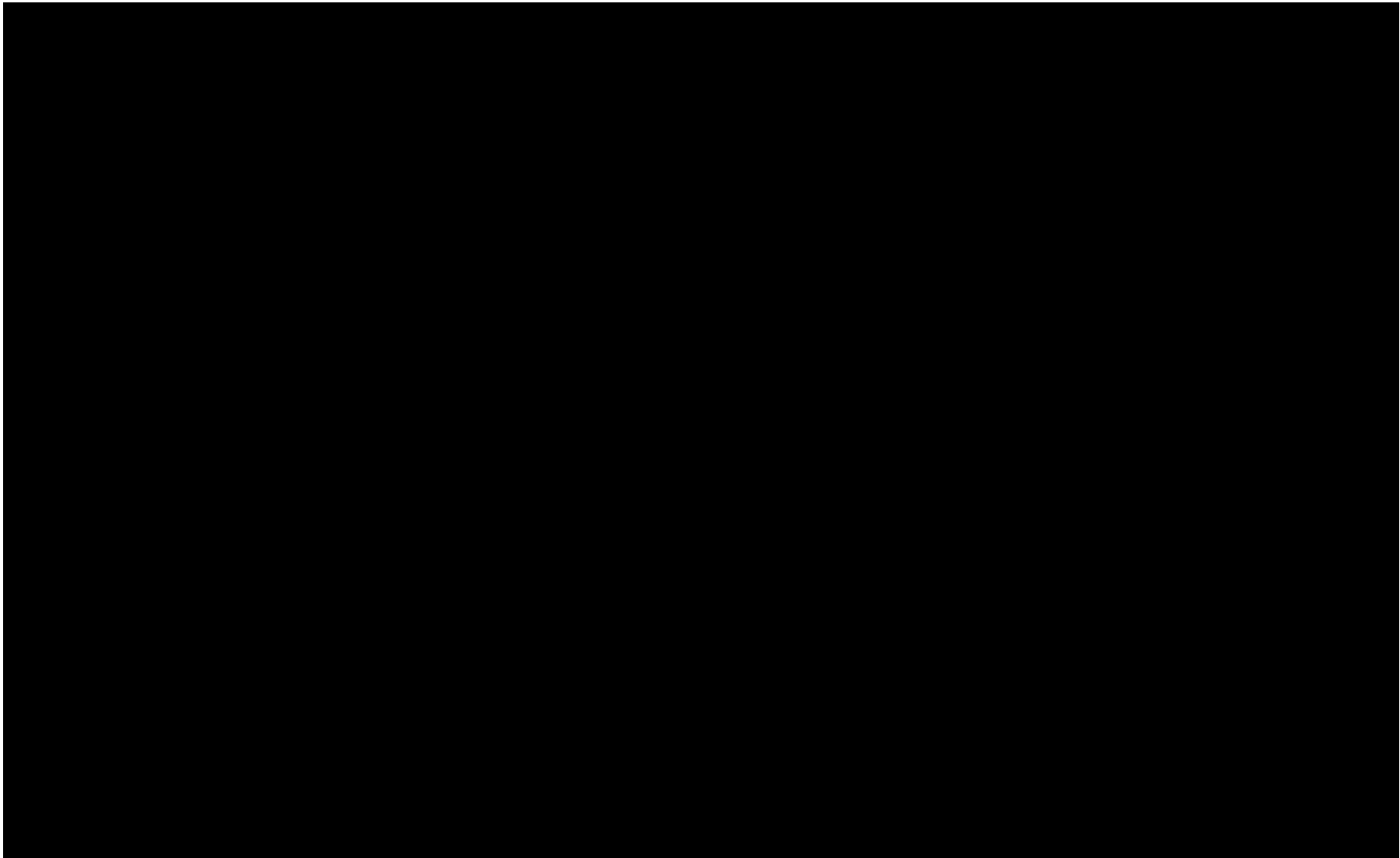


TABLE 47 MBRR SA26 - BUDGETED MONTHLY REVENUE AND EXPENDITURE (MUNICIPAL VOTE)

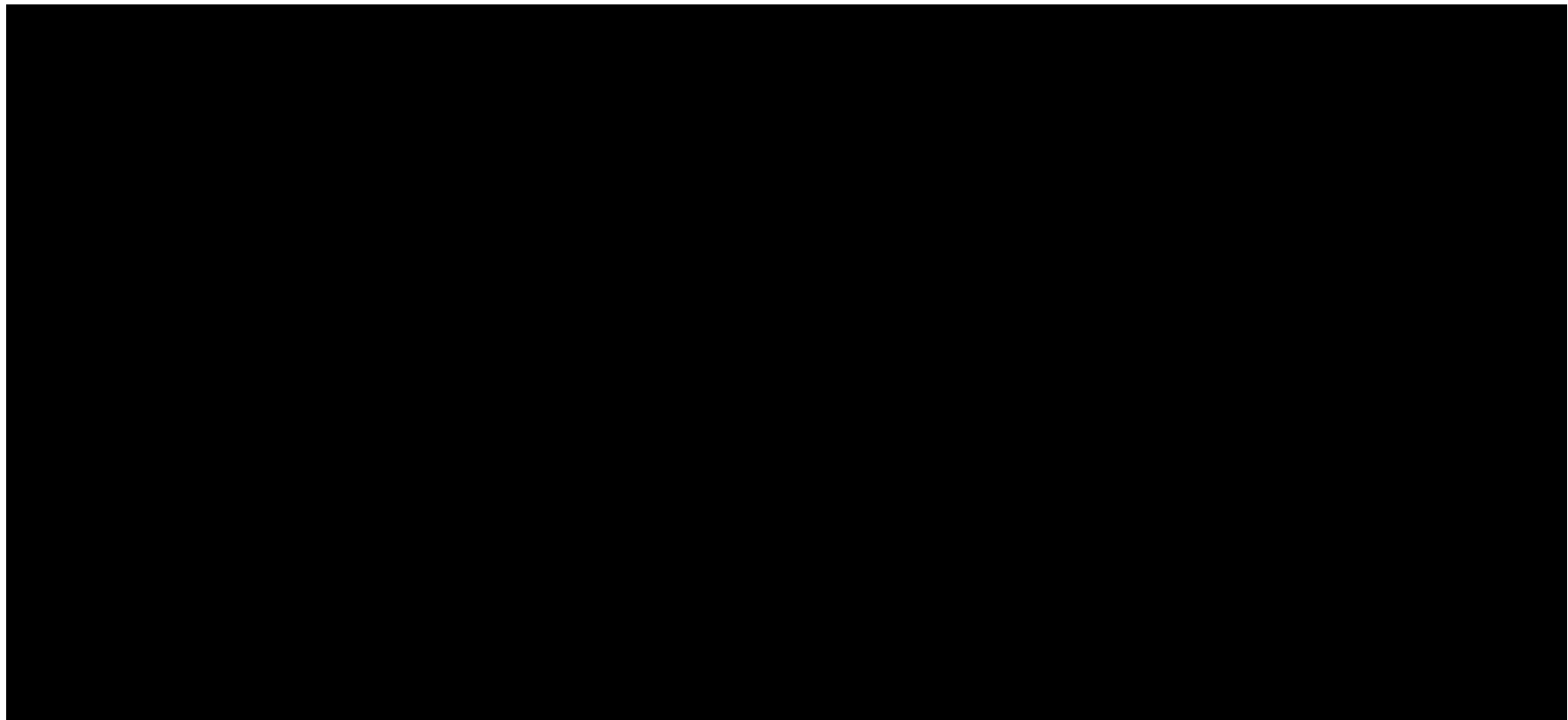


TABLE 48 MBRR SA27 - BUDGETED MONTHLY REVENUE AND EXPENDITURE (STANDARD CLASSIFICATION)

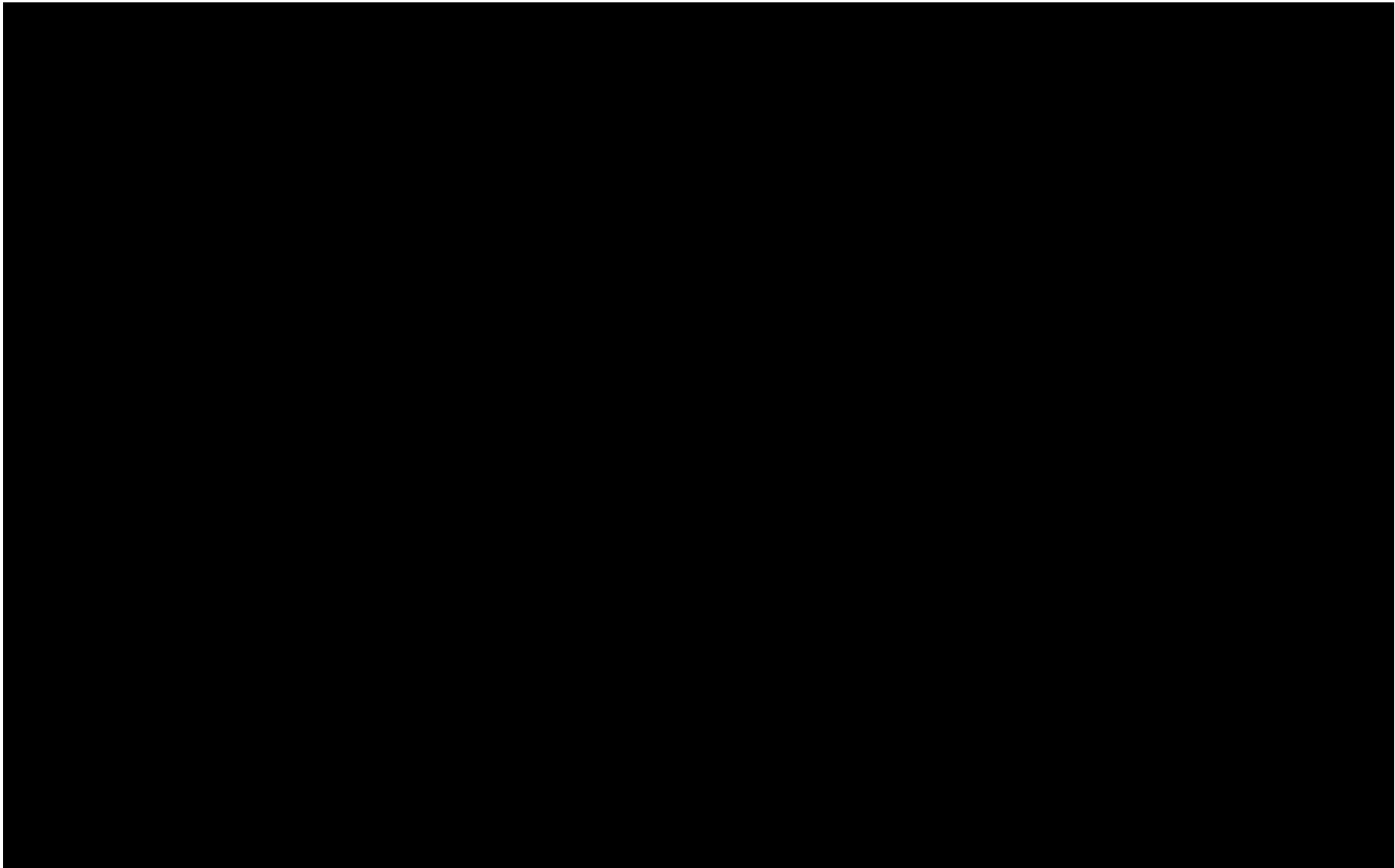


TABLE 49 MBRR SA28 - BUDGETED MONTHLY CAPITAL EXPENDITURE (MUNICIPAL VOTE)

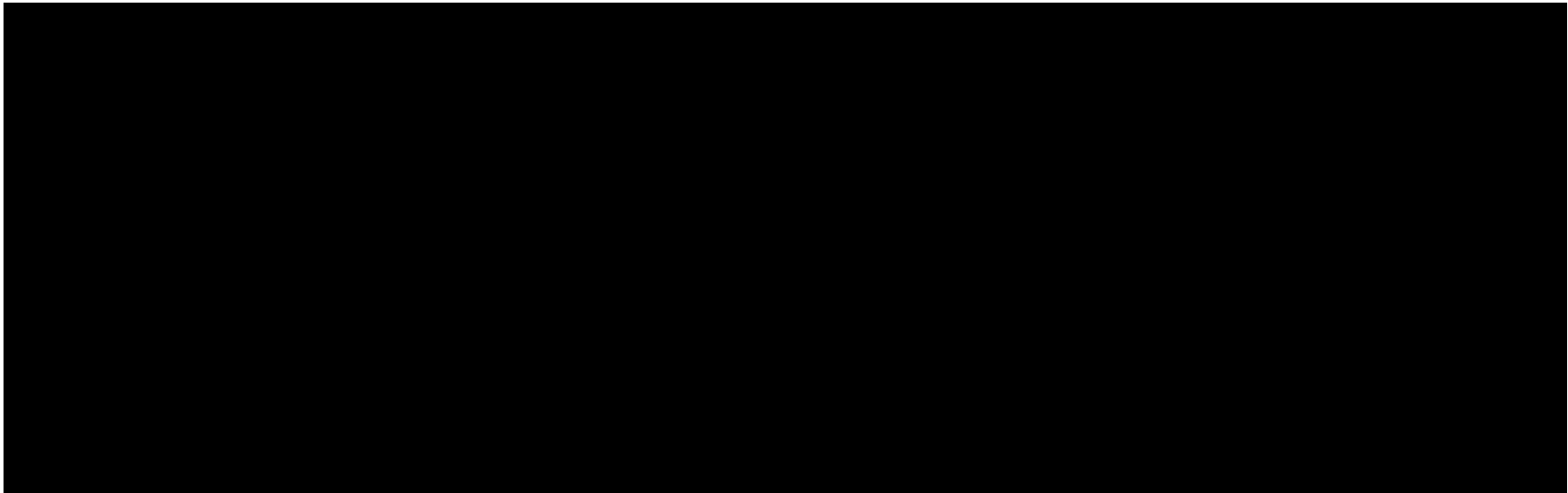


TABLE 50 MBRR SA29 - BUDGETED MONTHLY CAPITAL EXPENDITURE (STANDARD CLASSIFICATION)

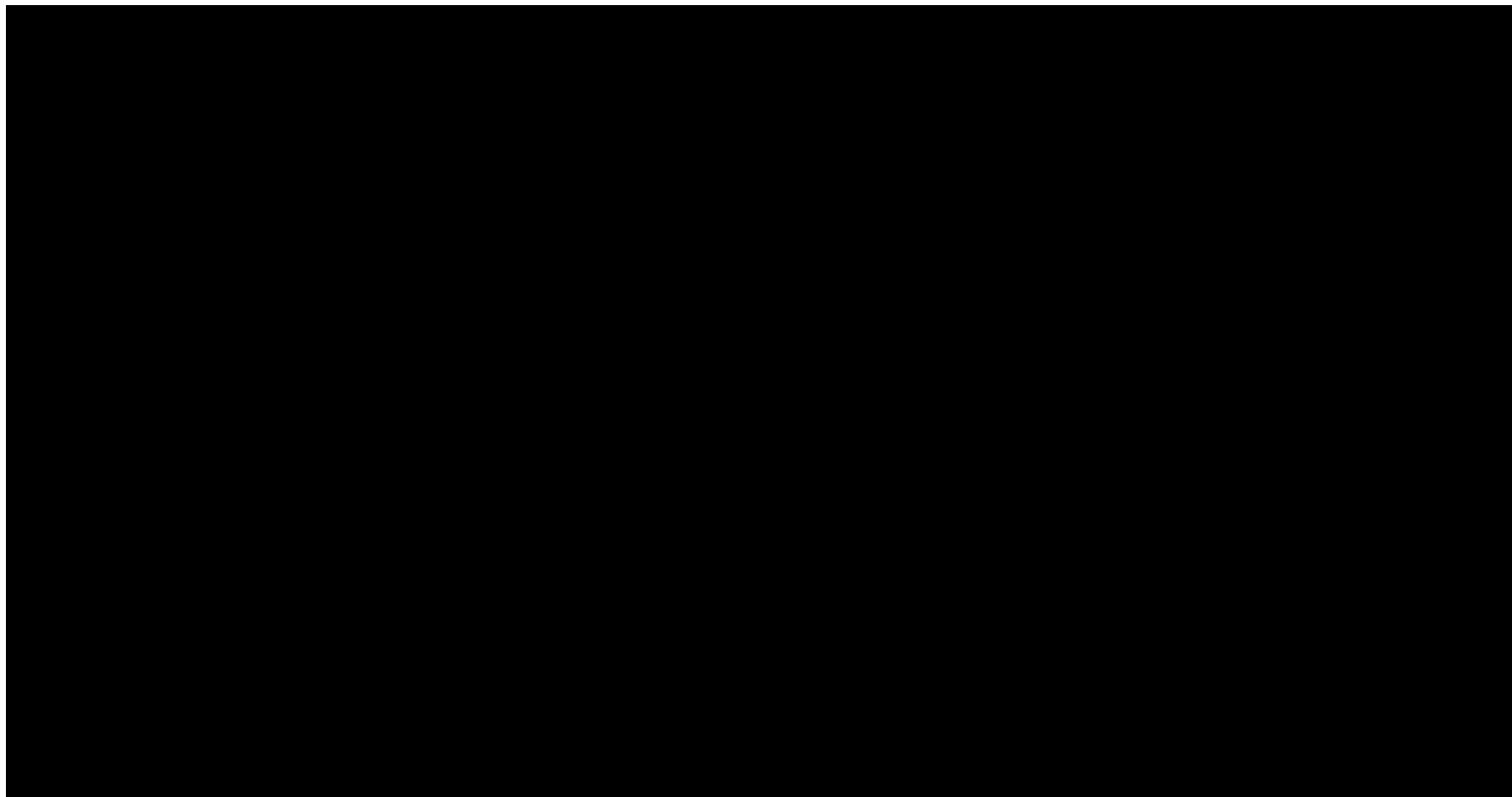


TABLE 51 MBRR SA30 - BUDGETED MONTHLY CASH FLOW



2.10 Annual budgets and SDBIPs – internal

2.9.1 Water and Sanitation – Vote 06

The department is primarily responsible for the distribution of potable water within the municipal boundary, which includes the purification of raw water, maintenance of the reticulation network and implementation of the departmental capital programme.

Table 52 Water and Sanitation Services Unit- operating revenue by source, expenditure by type and total capital expenditure

WATER AND SANITATION					
	Budget/OpenBal	YTD Movement	2014/15	2015/16	2016/17
Salaries	29 505 575,00	24 495 828,80	32 207 598,00	33 553 684,00	36 024 317,00
Depreciation	9 090 000,00	0,00	19 550 000,00	20 495 700,00	18 609 248,00
Repair and maintenance					
NETWORK: CONTRACTORS	1 500 000,00	892 341,24	1 500 000,00	1 581 000,00	1 666 374,00
REPLACEMENT: TOOLS/SMALL EQUIP	50 000,00	49 194,65	350 000,00	368 900,00	388 820,00
RESERVOIRS	690 000,00	447 760,00	900 000,00	1 300 000,00	2 000 000,00
VEHICLES & EQUIP FLEET	790 000,00	584 493,47	1 010 000,00	1 064 540,00	1 612 763,00
WATER METERS	1 300 000,00	1 019 885,92	1 400 000,00	1 475 600,00	1 555 282,00
WATER NETWORK/PUMP STATIONS	2 400 000,00	2 355 361,58	3 000 000,00	3 162 000,00	3 332 748,00
SEWER NETW/PUMP STATIONS: DEPARTMENTAL	700 000,00	300 935,51	700 000,00	737 800,00	777 641,00
SEWERAGE NETW/PUMP STATIONS	1 500 000,00	892 341,24	1 500 000,00	1 581 000,00	1 666 374,00
TOOLS & EQUIP	50 000,00	30 373,70	210 000,00	221 340,00	233 293,00
WASTE REMOVAL	500 000,00	72 000,00	300 000,00	316 200,00	333 275,00
OTHER REPAIRS AND MAINTENANCE	180 000,00	87 557,96	1 465 000,00	1 544 110,00	1 627 493,00
Bulk Purchases					
Purified Water-Tshwane	26 200 000,00	24 766 290,95	40 000 000,00	65 000 000,00	88 000 000,00
Purified Water -Rand Water	8 800 000,00	8 780 938,71	14 000 000,00	24 756 000,00	26 092 824,00
Unpurified Water	0,00	0,00	5 200 000,00	8 480 800,00	11 938 763,00
Contracted Services					
Water Tankers	16 900 000,00	9 948 997,64	5 000 000,00	5 270 000,00	5 554 580,00
Service Providers -Magalies	8 650 000,00	1 925 155,49	7 000 000,00	7 378 000,00	7 776 412,00
Service Providers	5 500 000,00	4 724 275,16	0,00	0,00	0,00
Sandspruit	5 000 000,00	1 588 993,62	18 000 000,00	18 972 000,00	19 996 488,00
Assistance to rural areas	0,00	0,00	5 000 000,00	5 270 000,00	5 554 580,00
General Expenses					
OTHER GENERAL EXPENSES	15 000,00	4 040,62	130 000,00	137 020,00	144 420,00
CHEMICALS: ANALYTICAL PURPOSES	65 000,00	28 038,00	170 000,00	179 180,00	188 856,00
CHEMICALS: INDUSTRIAL PURPOSES	11 000 003,00	6 785 726,48	10 050 000,00	10 592 700,00	11 164 706,00
CLEANSING CONSUMABLES	196 770,00	151 712,69	215 000,00	226 610,00	238 846,00
PRINTING & STATIONERY	30 000,00	18 583,89	40 000,00	42 160,00	44 436,00
PROTECTIVE CLOTHING: PURCHASES	210 000,00	133 396,01	140 000,00	147 560,00	155 528,00
RENTAL: MACHINERY & EQUIP	2 590 000,00	1 406 822,63	2 000 000,00	2 108 000,00	2 221 832,00
TRANSPORT EXPENSE: FUEL	1 325 000,00	1 081 272,22	1 200 000,00	1 264 800,00	1 333 099,00
ANALYSIS OF SEWERAGE EFFLUENT	0,00	0,00	50 000,00	52 700,00	55 546,00
SUBSISTENCE & TRAVEL: PERSONNEL	13 000,00	8 641,49	20 000,00	21 080,00	22 219,00
ELECTRICITY: DEPT CONSUMPTION	8 830 000,00	180 723,59	3 830 000,00	4 036 820,00	4 254 808,00
REFUSE REMOVAL: DEPT	50 000,00	0,00	65 000,00	68 510,00	72 210,00
WATER DEPARTMENTAL CONSUMPTION	0,00	0,00	90 000,00	94 860,00	99 982,00
Total Expenditure	143 630 348,00	92 761 683,26	176 292 598,00	221 500 674,00	254 737 763,00
WATER: SALES	(47 643 990,00)	(24 914 189,54)	(39 538 819,00)	(41 673 915,00)	(43 924 306,00)
BULK SERVICES CONTRIBUTION	(17 000,00)	(16 144,91)	0,00	0,00	0,00
WATER: DEPARTMENTAL	(1 000 000,00)	(361 516,00)	(573 726,00)	(604 707,00)	(637 361,00)
WATER: EQUITABLE SHARE	0,00	0,00	(110 000 000,00)	(136 218 590,00)	(151 409 502,00)
WATER: CONNECTION FEES	(190 326,00)	(44 910,21)	(71 273,00)	(75 121,00)	(79 178,00)
WATER: RECONNECTION FEES	(1 161 600,00)	0,00	0,00	0,00	0,00
WATER: SALES DEPT TRADING	(380 160,00)				
WATER: TEST METERS ETC.		(236,84)			
SERVICE CHARGES	(11 937,00)	(1 041,37)	(1 653,00)	(1 742,00)	(1 836,00)
SERVICE CHARGES DEPARTMENTAL	(8 000,00)	(1 927,80)	(3 059,00)	(3 225,00)	(3 399,00)
GRANTS: EQUITABLE SHARE	0,00	0,00	(92 000 000,00)	(113 928 275,00)	(126 633 402,00)
SEWER: TO THE PUBLIC	(21 771 956,00)	(15 519 832,79)	(24 629 975,00)	(25 959 993,00)	(27 361 833,00)
WATER: DIKHOLLO	(899 017,00)	(521 835,00)	(828 152,00)	(872 872,00)	(920 007,00)
WATER: HARTBEESPOORT	(20 396 863,00)	(18 155 139,09)	(28 812 206,00)	(30 368 065,00)	(32 007 940,00)
WATER: HOEFONTEIN	(8 648 596,00)	(5 852 817,07)	(9 288 421,00)	(9 789 995,00)	(10 318 655,00)
WATER: SONOP	(1 424 272,00)	(10 534 231,00)	(16 717 825,00)	(17 620 587,00)	(18 572 099,00)
WATER: RURAL AREAS	(2 758 355,00)	(3 296 106,22)	(5 230 921,00)	(5 513 390,00)	(5 811 113,00)
	(106 312 072,00)	(79 219 927,84)	(327 696 030,00)	(382 630 477,00)	(417 680 631,00)
Deficit/Surplus	37 318 276,00	13 541 755,42	-151 403 432,00	-161 129 803,00	-162 942 868,00
ALL SOURCES TO BE CAPITALISED (CAPEX)	21 372 921,00	11 640 616,32	251 800 000,00	45 000 000,00	50 000 000,00

Table 53 Water and Sanitation Services Unit- performance objectives and indicators

Key performance Element	Key Performance Indicator (KPI)	Annual Target	Quarter 1 - Target	Quarter 2 - Target	Quarter 3 - Target	Quarter 4 - Target	Portfolio of Evidence
Strategic Objective 1: The provision of quality basic services and infrastructure							
Provision of Water	% Households in the urban edge provided with access to basic potable water supply within 200m radius	100%	100%	100%	100%	100%	Reports and indigent register
	Number of new households provided with water Connections	1000	250	250	250	250	Metering advice receipts
	% Compliance with the drinking water standards in line with SANS (South African National Standards 241)	100%	100%	100%	100%	100%	Compliance reports
	Expansion of the functional Water Demand Management Unit	June 2014	Status Quo analysis	Status Quo analysis	Status Quo analysis	Appoint water demand technician	Report on the functionality of the Unit
	% Reduction in non - revenue water (Unaccounted for water/distribution losses)	5%	1%	1%	1%	2%	Reports

There are currently several unfilled positions in the structure of the Water Services Unit. The top management structure consists of the Head of Department Infrastructure And Technical Services and five Heads of Units. As part of the performance objectives for the 2014/15 financial year, certain crucial positions will be filled.

Significant capital projects to be undertaken over the medium term includes, amongst others:

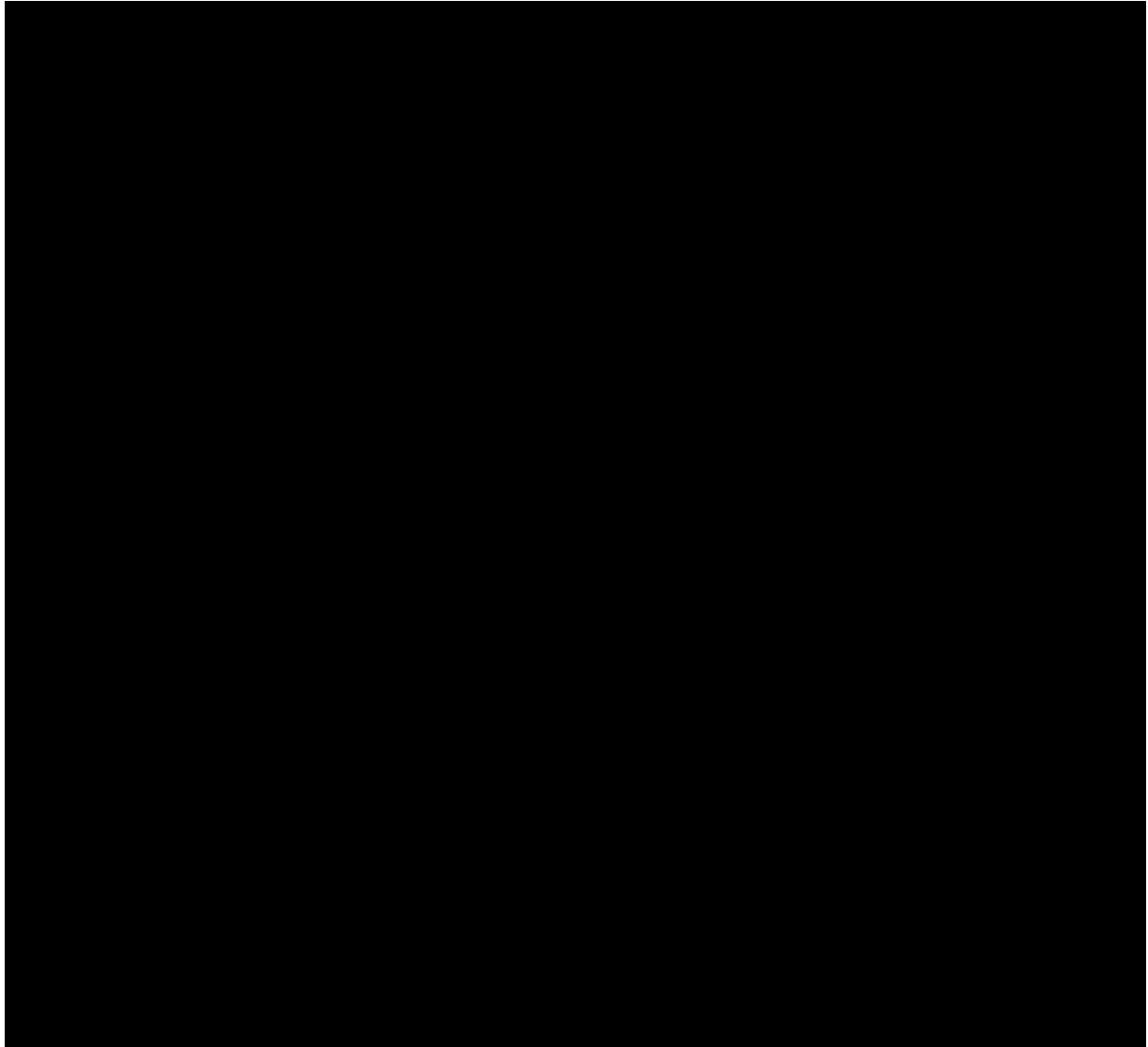
- Water Supply Schemes several villages– R 42 million
- Sanitation backlog eradication – several villages – R25 million
- As part of the projects water demand management systems will be improved.

The departmental strategy is ensuring the economic value and useful life of the water reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R 12, 35 million, R13, 352 million and R 15,2 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of water and sanitation charges of which budget appropriation for the 2014/15 financial year is R124 million and increases to R137 million by 2016/17 and has been informed by a collection rate of 75 per cent and distribution losses of more than 40 per cent.

The reduction of distribution losses is considered a priority and hence the departmental objectives and targets provide for a 5 per cent efficiency gain per year for the first year and two per cent for the outer years. About 60 percent of the consumers are indigent household at RDP level. The water schemes transferred from the Department of Water affairs are aging and water losses as well as water unaccounted for is a serious problem. This will receive attention in future financial years.

Table 54 Electricity Services Unit- operating revenue by source, expenditure by type and total capital expenditure



There are currently several unfilled positions in the structure of the Electricity Services Unit. The top management structure consists of the Head of Department Infrastructure And Technical Services and five Heads of Units. As part of the performance objectives for the 2014/15 financial year, certain crucial positions will be filled.

Significant capital projects to be undertaken over the medium term is:

- Electrification (INEP Funding)– R 8 million

The departmental strategy is ensuring the economic value and useful life of the electricity reticulation network and infrastructure is maintained. To this end, the medium-term expenditure framework provides for operational repairs and maintenance of R 19, 2 million, R21, 2 million and R 22, 4 million in each of the respective financial years of the MTREF.

The departmental revenue base is primarily informed by the sale of electricity charges of which budget appropriation for the 2014/15 financial year is R381 million and increases to R423 million by 2016/17 and has been informed by a collection rate of 75 per cent and distribution losses of more than 40 per cent.

The reduction of distribution losses is considered a very high priority and hence the departmental objectives and targets provide for a 5 per cent efficiency gain per year for the first year and 10 per cent for the outer years.

2.11 Contracts having future budgetary implications

In terms of the municipality's Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.12 Capital expenditure details

The following three tables present details of the municipality's capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 54 MBRR SA 34 - Capital expenditure on new assets by asset class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Capital expenditure on new assets by Asset Class/Sub-class										
Infrastructure		47 153	221 940	212 037	158 156	174 636	174 636	250 278	271 528	255 765
Infrastructure - Road transport		5 942	78 426	74 500	57 050	58 150	58 150	84 300	102 617	83 058
Roads, Pavements & Bridges		5 942	78 426	74 500	57 050	58 150	58 150	84 300	102 617	83 058
Storm water										
Infrastructure - Electricity		10 770	15 467	7 600	3 000	17 300	17 300	12 000	40 000	23 000
Generation										
Transmission & Reticulation		10 770	15 003	7 600	3 000	14 800	14 800	12 000	25 000	23 000
Street Lighting		-	463	-	-	2 500	2 500	-	15 000	-
Infrastructure - Water		24 569	117 782	119 937	89 106	84 386	84 386	139 978	128 911	103 107
Dams & Reservoirs										
Water purification		24 569	117 782	119 937	89 106	82 386	82 386	139 978	126 411	98 407
Reticulation		-	-	-	-	2 000	2 000	-	2 500	4 700
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Reticulation										
Sewerage purification										
Infrastructure - Other		5 872	10 265	10 000	9 000	14 800	14 800	14 000	-	46 600
Waste Management		5 872	10 265	10 000	9 000	11 700	11 700	14 000	-	-
Transportation	2	-	-	-	-	-	-	-	-	46 600
Gas										
Other	3	-	-	-	-	3 100	3 100	-	-	-
Community		3 036	8 979	18 400	63 800	73 433	73 433	8 900	16 800	37 500
Parks & gardens		-	-	-	-	-	-	-	-	-
Sportsfields & stadia		325	5 409	7 300	-	-	-	-	-	-
Swimming pools										
Community halls		612	93	1 100	16 500	16 600	16 600	4 700	-	-
Libraries		308	130	2 500	-	400	400	-	-	7 000
Recreational facilities		215	-	7 500	33 300	36 306	36 306	-	-	16 000
Fire, safety & emergency		852	1 401	-	-	1 400	1 400	-	-	7 500
Security and policing										
Buses	7	-	-	-	-	-	-	1 200	16 800	-
Clinics		-	-	-	-	-	-	-	-	-
Museums & Art Galleries										
Cemeteries		724	1 947	-	12 500	14 250	14 250	3 000	-	7 000
Social rental housing	8	-	-	-	1 500	4 477	4 477	-	-	-
Other										
Heritage assets		-	-	-	-	-	-	-	-	-
Buildings										
Other	9									
Investment properties		112	61	-	-	-	-	-	-	-
Housing development		-	-	-	-	-	-	-	-	-
Other		112	61	-	-	-	-	-	-	-
Other assets		716	4 462	-	-	6 567	6 567	6 500	-	-
General vehicles		-	2 508	-	-	3 000	3 000	-	-	-
Specialised vehicles		-	-	-	-	-	-	-	-	-
Plant & equipment		-	-	-	-	-	-	-	-	-
Computers - hardware/equipment		14	-	-	-	1 500	1 500	-	-	-
Furniture and other office equipment		519	967	-	-	2 037	2 037	6 500	-	-
Abattoirs										
Markets		-	391	-	-	-	-	-	-	-
Civic Land and Buildings										
Other Buildings		183	484	-	-	-	-	-	-	-
Other Land										
Surplus Assets - (Investment or Inventory)										
Other		-	112	-	-	30	30	-	-	-
Agricultural assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Computers - software & programming										
Total Capital Expenditure on new assets	1	51 016	235 442	230 437	221 956	254 636	254 636	265 678	288 328	293 265
Specialised vehicles		-	-	-	-	-	-	-	-	-
Refuse										
Fire										
Conservancy										
Ambulances										

Table 55 MBRR SA 34b - Capital expenditure on existing assets by asset class

NW372 Madibeng - Supporting Table SA34b Capital expenditure on the renewal of existing assets by asset class

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1									
Capital expenditure on renewal of existing assets by Asset Class/Sub-class										
Infrastructure										
Infrastructure - Road transport										
Roads, Pavements & Bridges										
Storm water										
Infrastructure - Electricity										
Generation										
Transmission & Reticulation										
Street Lighting										
Infrastructure - Water										
Dams & Reservoirs										
Water purification										
Reticulation										
Infrastructure - Sanitation										
Reticulation										
Sewerage purification										
Infrastructure - Other										
Waste Management										
Transportation										
Gas										
Other										
Community										
Parks & gardens										
Sportsfields & stadia										
Swimming pools										
Community halls										
Libraries										
Recreational facilities										
Fire, safety & emergency										
Security and policing										
Buses										
Clinics										
Museums & Art Galleries										
Cemeteries										
Social rental housing										
Other										
Heritage assets										
Buildings										
Other										
Investment properties										
Housing development										
Other										
Other assets										
General vehicles										
Specialised vehicles										
Plant & equipment										
Computers - hardware/equipment										
Furniture and other office equipment										
Abattoirs										
Markets										
Civic Land and Buildings										
Other Buildings										
Other Land										
Surplus Assets - (Investment or Inventory)										
Other										
Agricultural assets										
Biological assets										
Intangibles										
Computers - software & programming										
Total Capital Expenditure on renewal of existing assets	1									
Specialised vehicles										
Refuse										
Fire										
Conservancy										
Ambulances										
Renewal of Existing Assets as % of total capex		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Renewal of Existing Assets as % of deprecn"		0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Table 55MBRR SA34c - Repairs and maintenance expenditure by asset class

NW372 Madibeng - Supporting Table SA34c Repairs and maintenance expenditure by asset class

Description		Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
R thousand		1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
Repairs and maintenance expenditure by Asset Class/Sub-class											
Infrastructure											
Infrastructure - Road transport			9 535	12 692	27 171	24 350	29 230	29 230	37 940	41 748	44 574
Roads, Pavements & Bridges			1 956	2 326	7 010	5 550	7 000	7 000	7 790	8 534	8 994
Storm water			1 956	2 326	7 010	5 550	7 000	7 000	7 790	8 534	8 994
Infrastructure - Electricity			3 538	5 012	10 399	12 500	14 000	14 000	19 800	21 954	23 081
Generation											
Transmission & Reticulation			3 535	5 012	10 399	11 500	13 000	13 000	18 800	20 900	21 970
Street Lighting			3	-	-	1 000	1 000	1 000	1 000	1 054	1 111
Infrastructure - Water			2 475	4 698	7 362	3 600	4 590	4 590	6 510	7 213	8 232
Dams & Reservoirs			148	92	93	300	890	890	1 100	1 511	2 222
Water purification			151	924	556	-	-	-	-	-	-
Reticulation			2 176	3 682	6 713	3 300	3 700	3 700	5 410	5 702	6 010
Infrastructure - Sanitation			1 565	656	1 878	2 000	3 000	3 000	3 400	3 584	3 777
Reticulation			1 565	656	1 878	2 000	3 000	3 000	3 400	3 584	3 777
Sewerage purification											
Infrastructure - Other			-	-	522	700	640	640	440	464	489
Waste Management			-	-	522	700	640	640	440	464	489
Transportation											
Gas											
Other											
Community											
Parks & gardens			563	854	1 786	2 400	2 400	2 400	2 035	2 145	2 261
Sportsfields & stadia			15	51	501	500	600	600	600	632	667
Swimming pools			38	377	383	460	460	460	-	-	-
Community halls			15	53	88	270	270	270	200	211	222
Libraries											
Recreational facilities											
Fire, safety & emergency			-	55	150	230	230	230	270	285	300
Security and policing			-	171	82	200	80	80	100	105	111
Buses											
Clinics			-	-	30	-	-	-	-	-	-
Museums & Art Galleries											
Cemeteries			128	110	298	400	400	400	500	527	555
Social rental housing											
Other			366	38	254	340	360	360	365	385	405
Heritage assets											
Buildings			-	-	-	-	-	-	-	-	-
Other											
Investment properties											
Housing development			-	-	-	-	-	-	-	-	-
Other											
Other assets											
General vehicles			2 145	3 078	2 172	9 465	10 437	10 437	4 930	5 196	5 968
Specialised vehicles			900	1 570	20	2 000	2 280	2 280	2 540	2 677	3 312
Plant & equipment			-	-	-	-	-	-	-	-	-
Computers - hardware/equipment			950	1 188	1 230	5 070	3 540	3 540	660	696	733
Furniture and other office equipment			-	165	-	1 000	500	500	500	527	555
Abattoirs			236	35	177	427	195	195	-	-	-
Markets											
Civic Land and Buildings											
Other Buildings			-	-	-	100	100	100	-	-	-
Other Land											
Surplus Assets - (Investment or Inventory)											
Other			58	120	744	868	3 822	3 822	1 230	1 296	1 366
Agricultural assets											
			-	-	-	-	-	-	-	-	-
Biological assets											
			-	-	-	-	-	-	-	-	-
Intangibles											
Computers - software & programming			-	-	-	-	-	-	-	-	-
Total Repairs and Maintenance Expenditure											
	1		12 243	16 623	31 128	36 215	42 067	42 067	44 905	49 089	52 802

Table 56 MBRR SA35 - Future financial implications of the capital budget

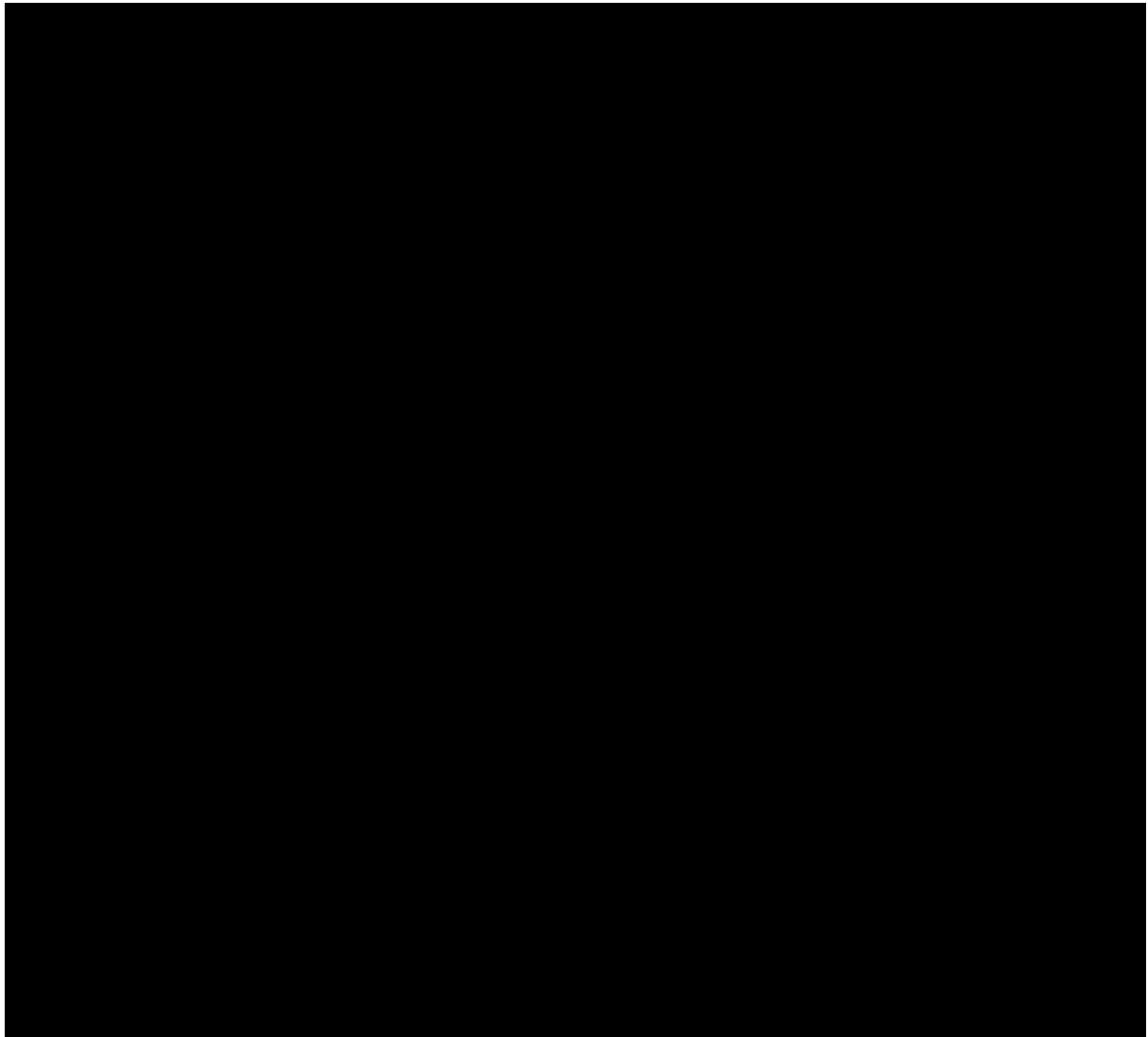
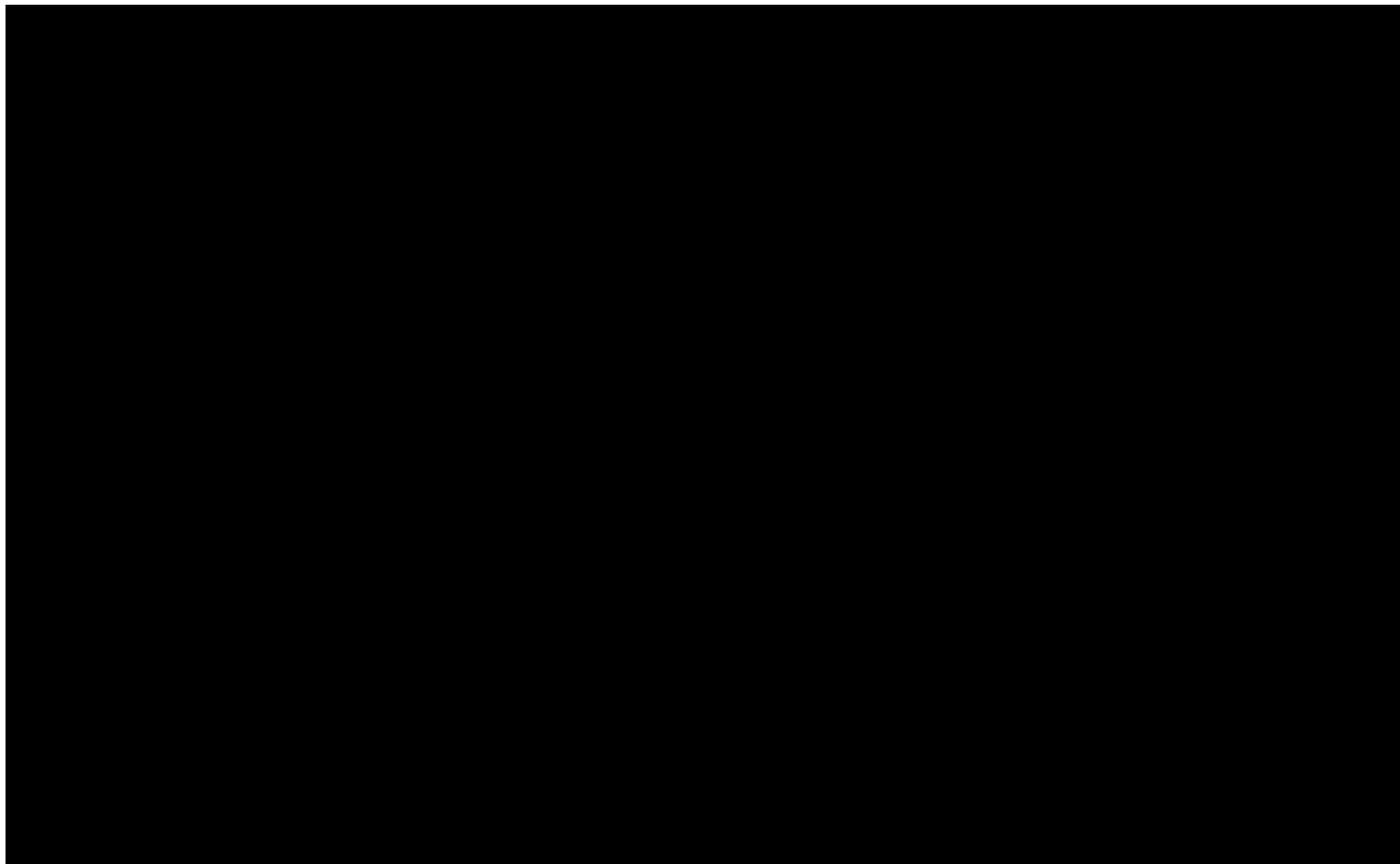
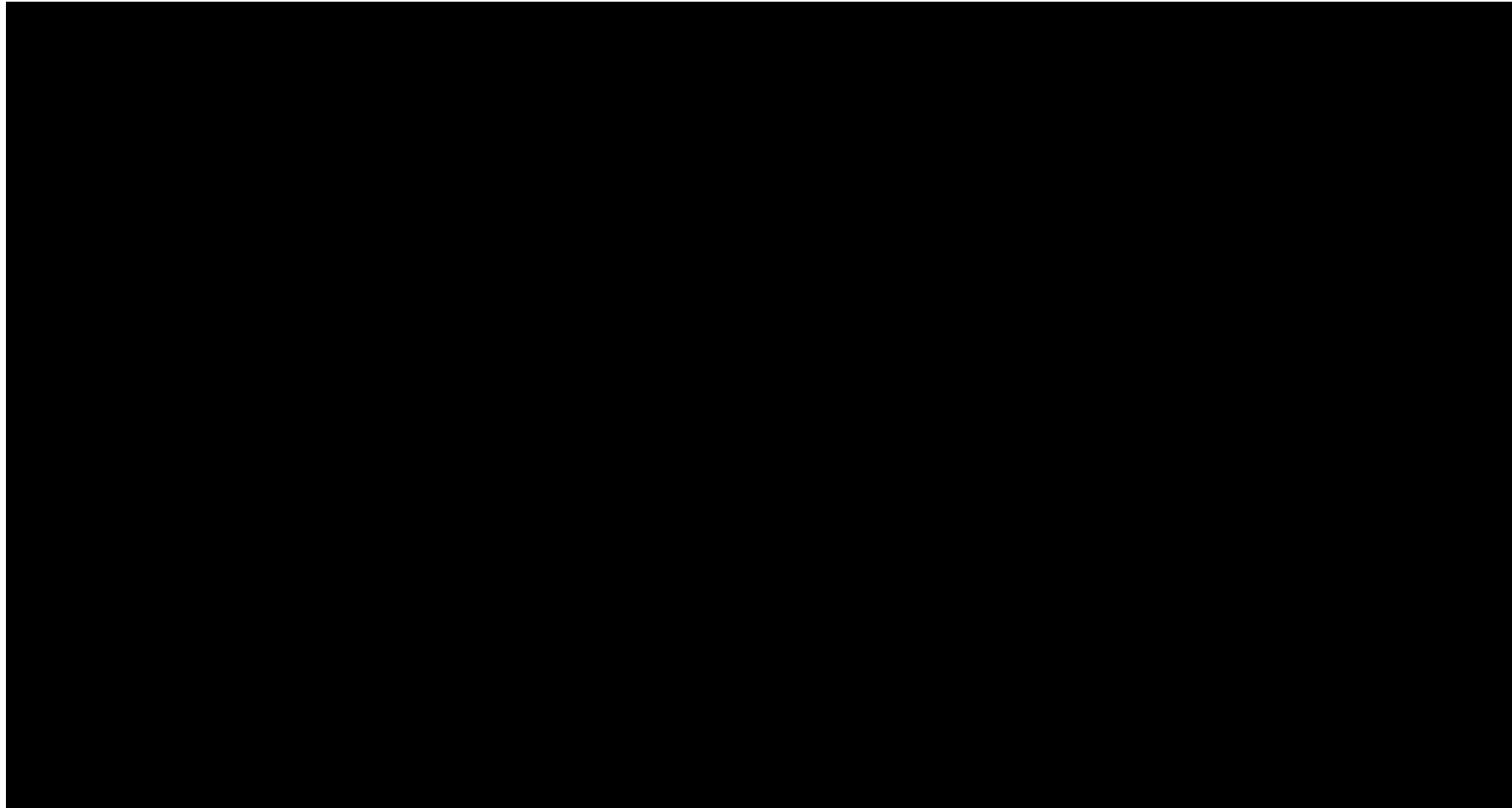


Table 57 MBRR SA36 - Detailed capital budget per municipal vote





2.13 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting

Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the municipality's website.

2. Internship programme

The municipality is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Financial Services Department. Of the first intake in 2008 two were employed permanently. Ten interns were appointed in 2012. One intern left while the contracts the remaining nine will be extended for another year.

3. Budget and Treasury Office

The Budget and Treasury Office has been established in accordance with the MFMA.

4. Audit Committee

An Audit Committee has been established and is functional.

5. Service Delivery and Implementation Plan

The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned and informed by the 2014/15 MTREF.

6. Annual Report

Annual report is compiled in terms of the MFMA and National Treasury requirements.

7. MFMA Training

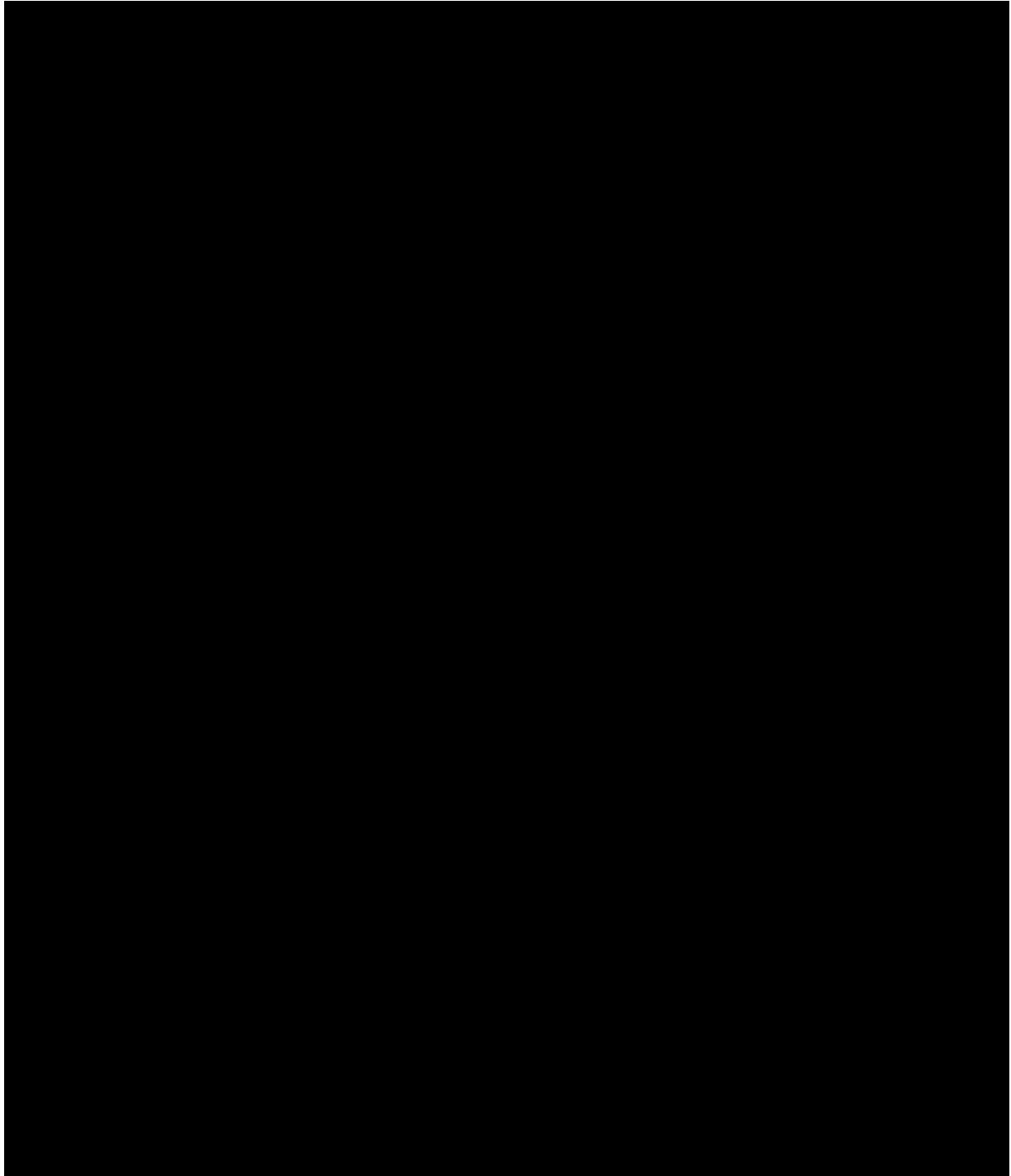
The MFMA training module in electronic format is available to all financial staff.

8. Policies

All financial related policies are reviewed on an annual basis or whenever the need arises and submitted with the budget for adoption by council.

2.14 Other supporting documents

Table 58 MBRR Table SA1 - Supporting detail to budgeted financial performance



**Table 58 MBRR Table SA1 - Supporting detail to budgeted financial performance
(Continued)**

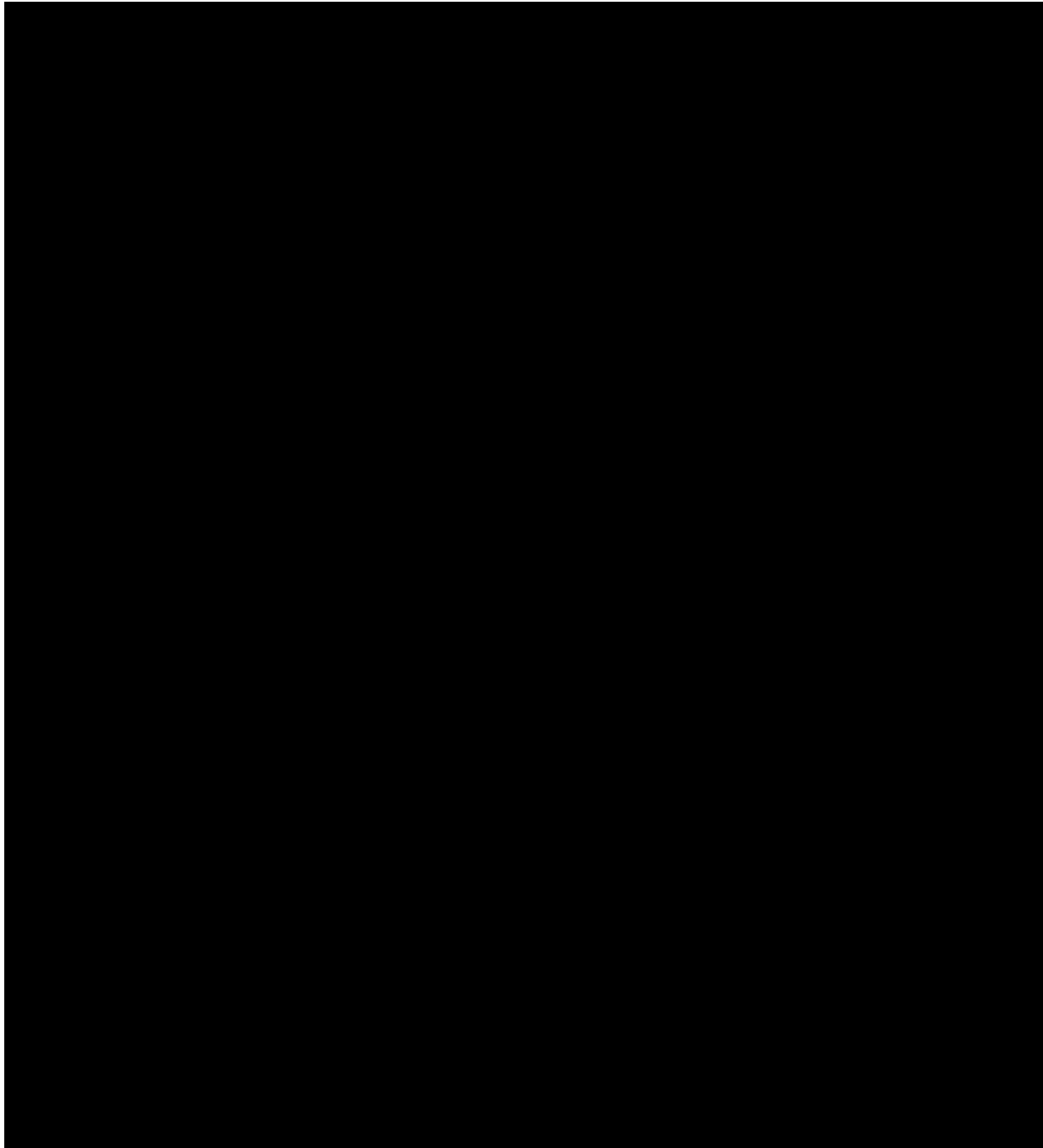


Table 59 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department

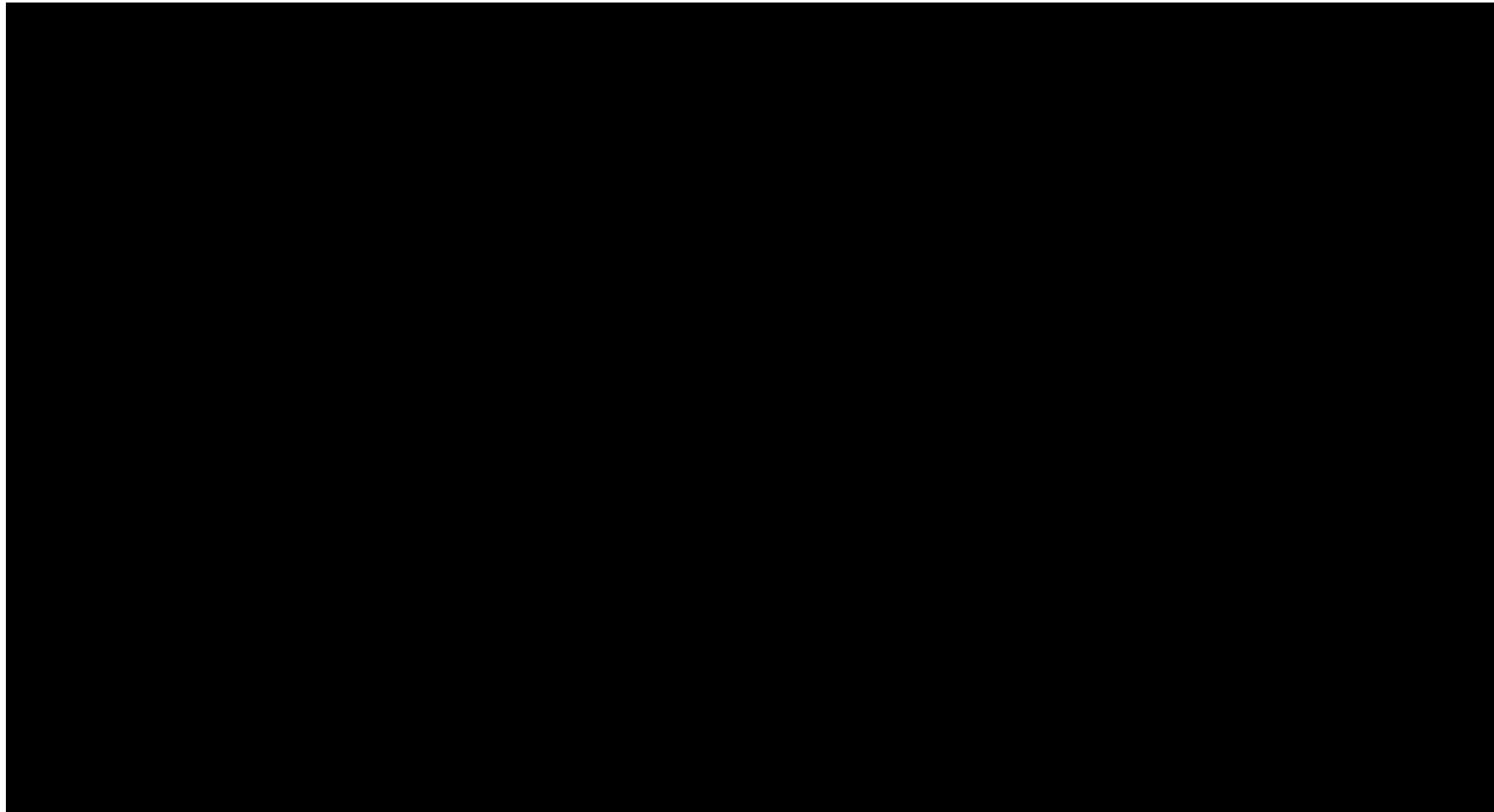


Table 60 MBRR Table SA3 – Supporting detail to Statement of Financial Position

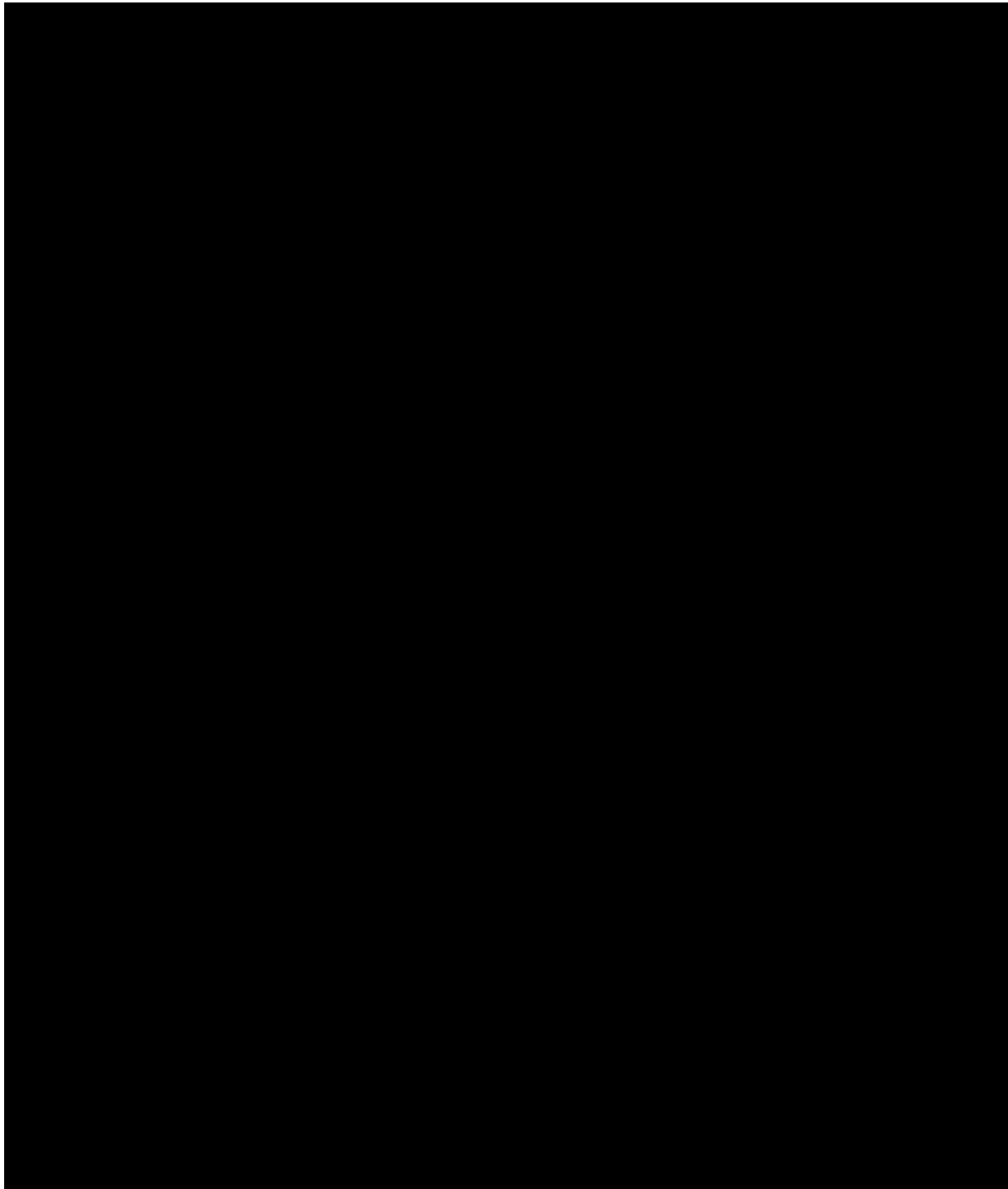
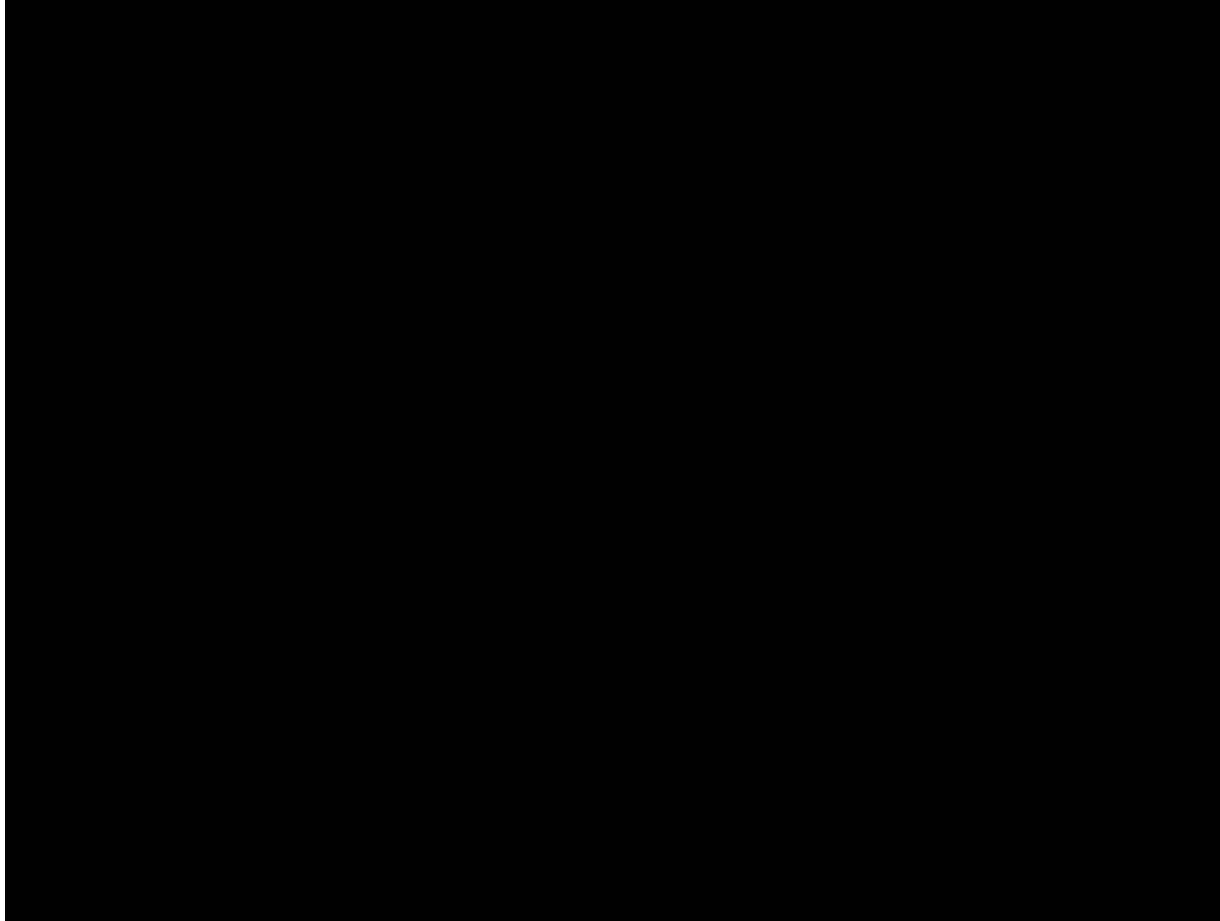


Table 61 MBRR Table SA9 – Social, economic and demographic statistics and assumptions



2.15 Municipal manager's quality certificate

I, municipal manager of Madibeng Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name _____

Municipal Manager of Madibeng Local Municipality (NW372)

Signature _____

Date _____

Municipal annual budgets and MTREF & supporting tables

Version 2.6

[Click for Instructions!](#)

Accountability

Transparency

**Information &
service delivery**

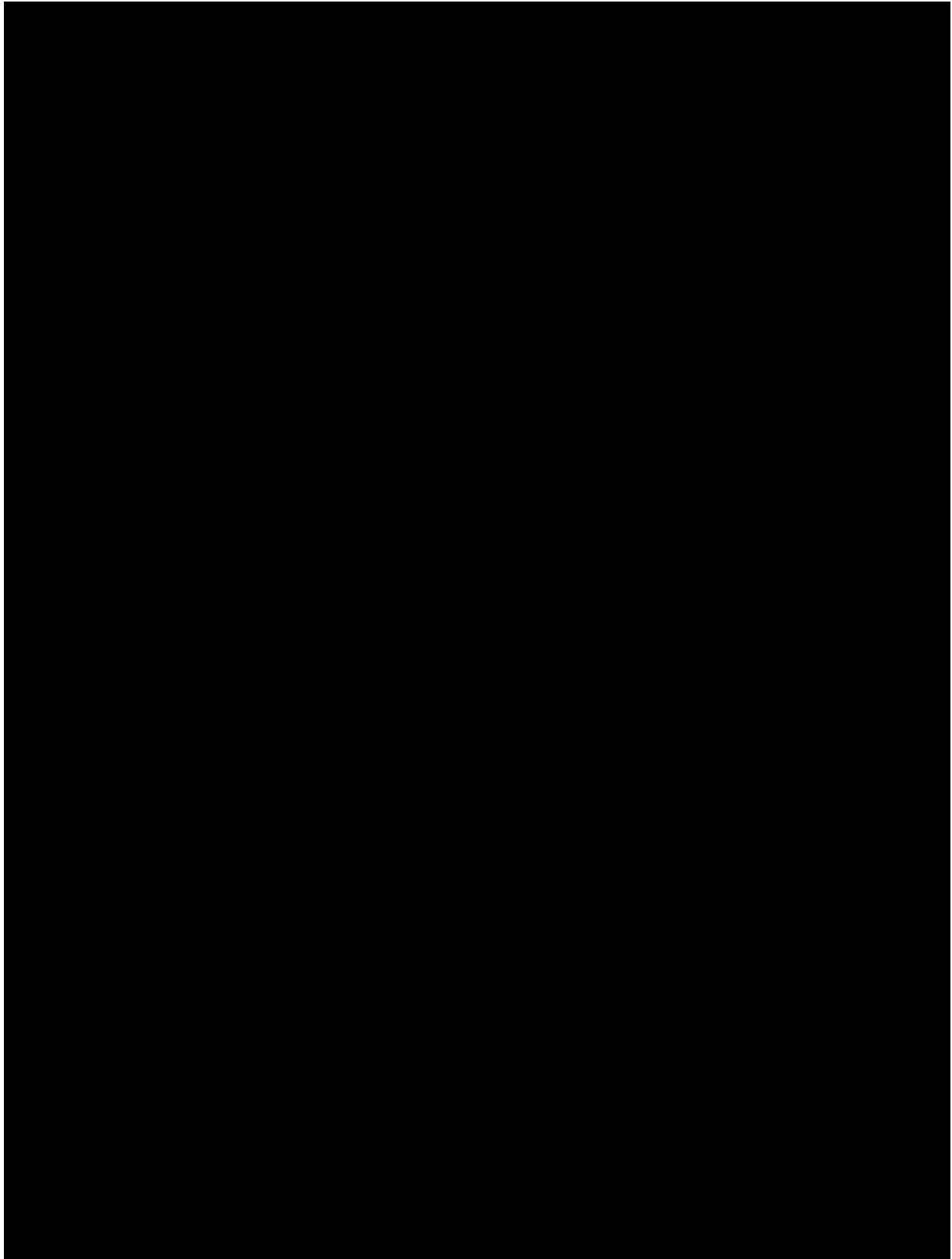


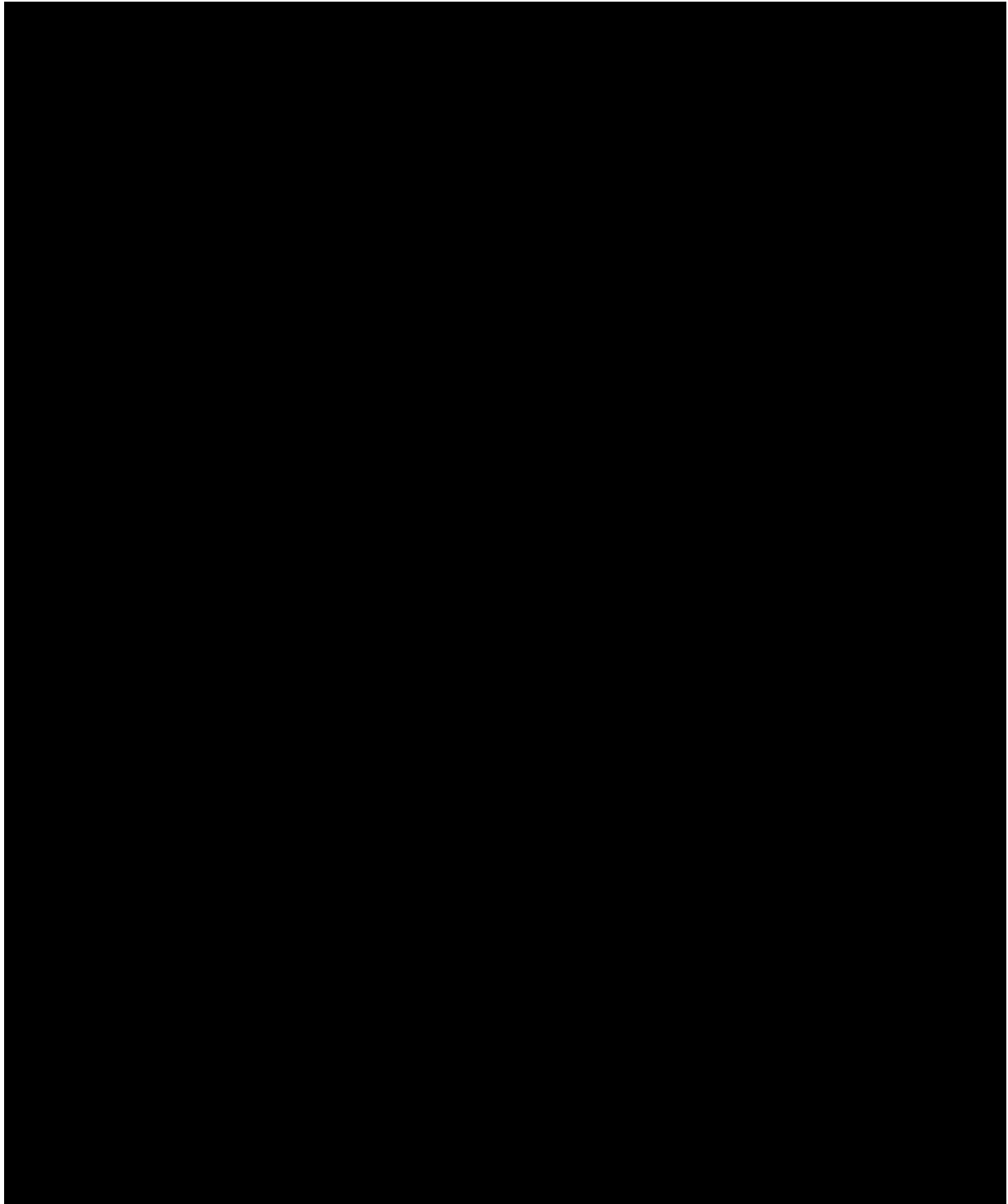
national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

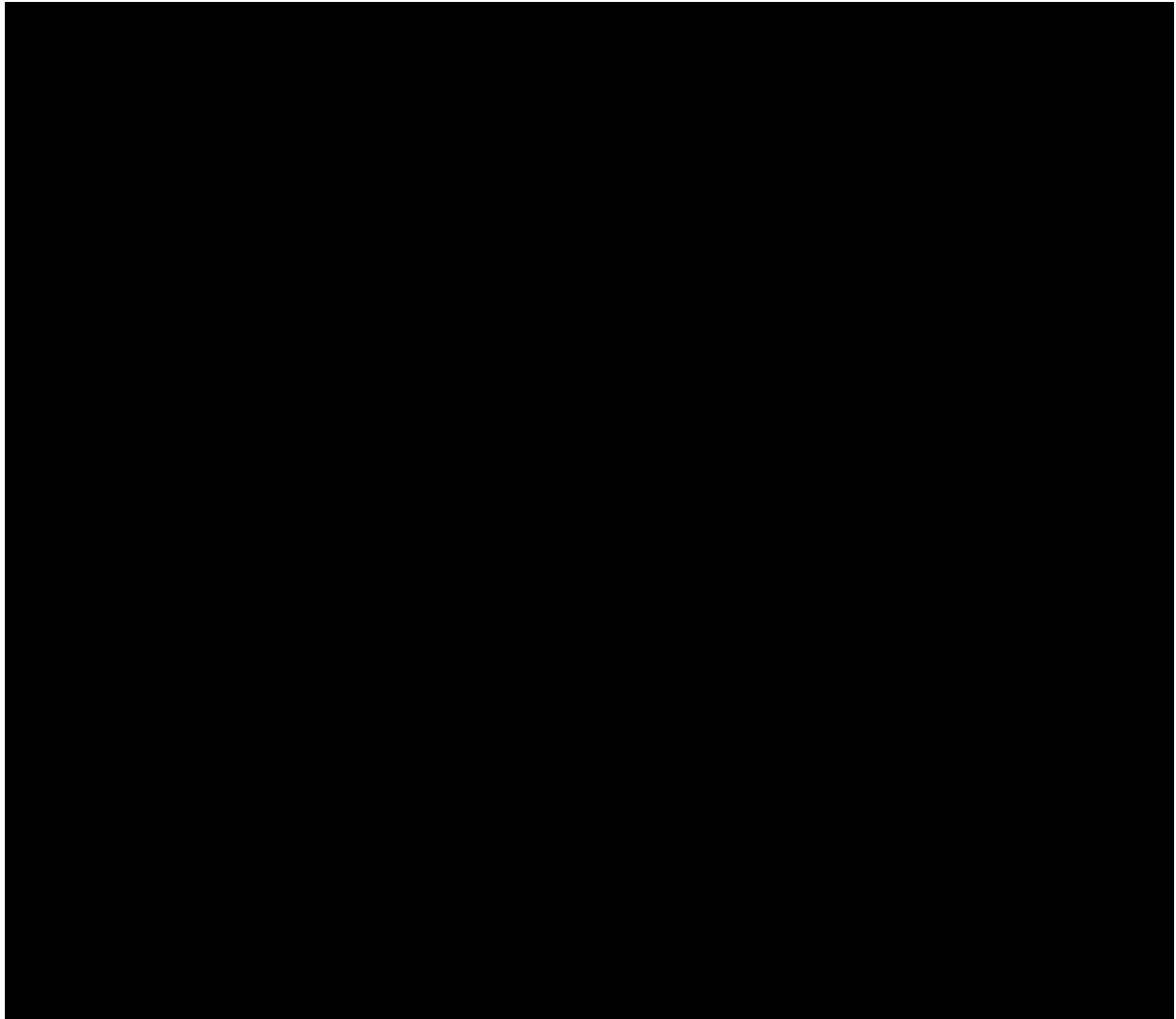
Contact details:

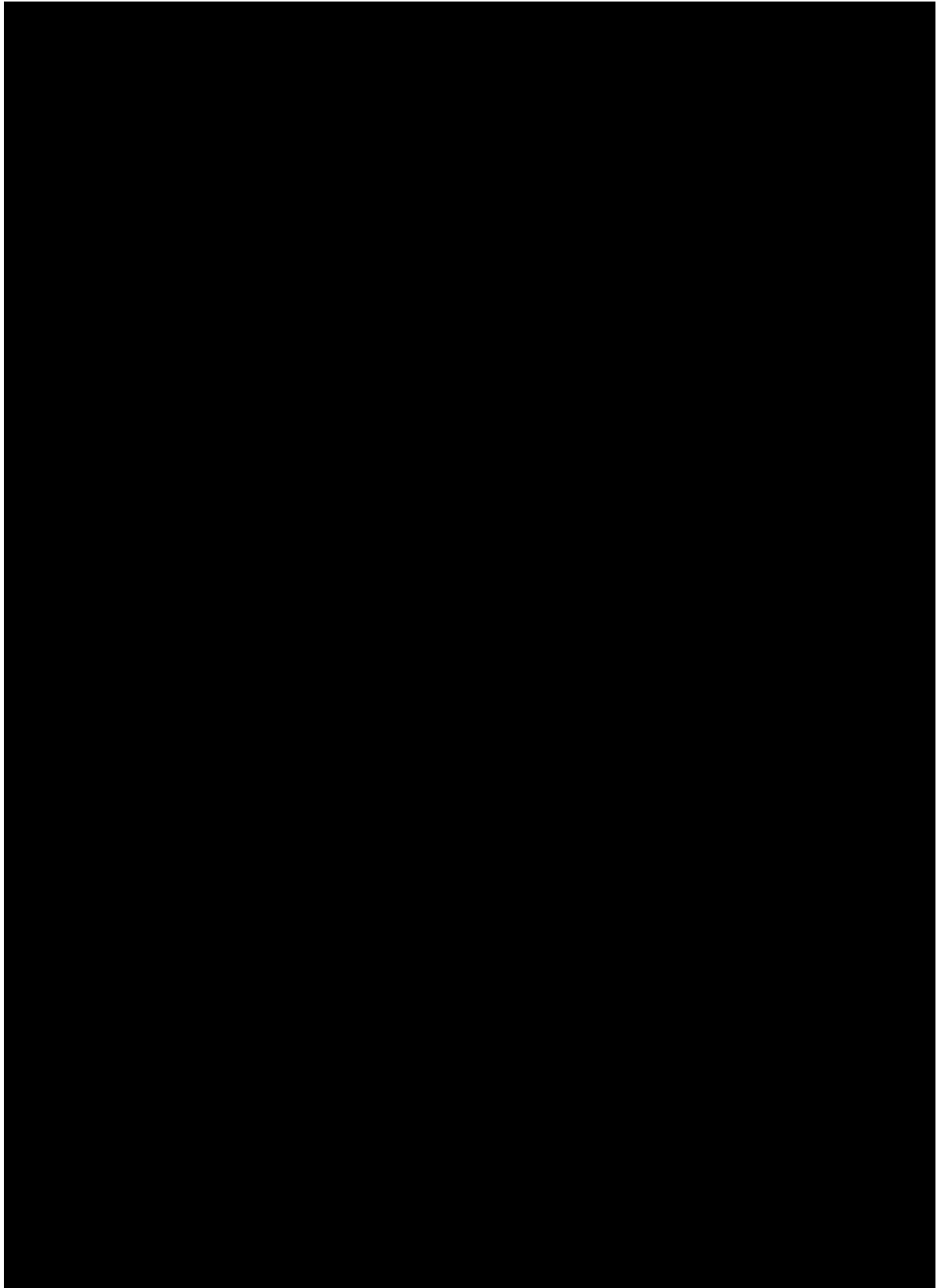
Ilze Baron
National Treasury
Tel: (012) 395-6742
Electronic submissions: lgdocuments@treasury.gov.za

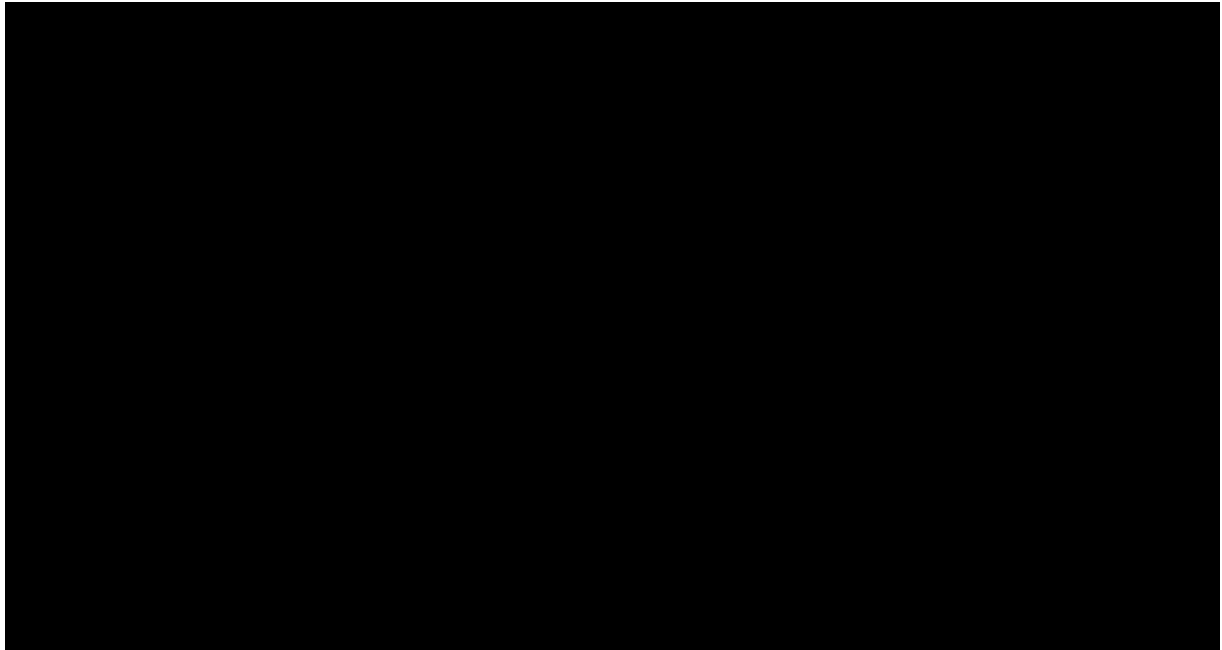
Preparation Instructions	
Municipality Name:	NW372 Madibeng
CFO Name:	TONDY NKUNA
Tel:	012 318 9221
Fax:	012 318 9520
E-Mail:	tondynkuna@madibeng.gov.za
Budget for MTREF starting:	2014
Budget Year:	2014/15
Does this municipality have Entities?	No
If YES: Identify type of report:	Parent Municipality
Name Votes & Sub-Votes	
Printing Instructions	Important documents which provide essential assistance
<u>Showing / Hiding Columns</u>	<u>MEMA Budget Circulars</u> Click to view
Hide Pre-audit columns on all sheets	<u>MBRR Budget Formats Guide</u> Click to view
Hide Reference columns on all sheets	<u>Dummy Budget Guide</u> Click to view
<u>Showing / Clearing Highlights</u>	<u>Funding Compliance Guide</u> Click to view
Clear Highlights on all sheets	<u>MEMA Return Forms</u> Click to view

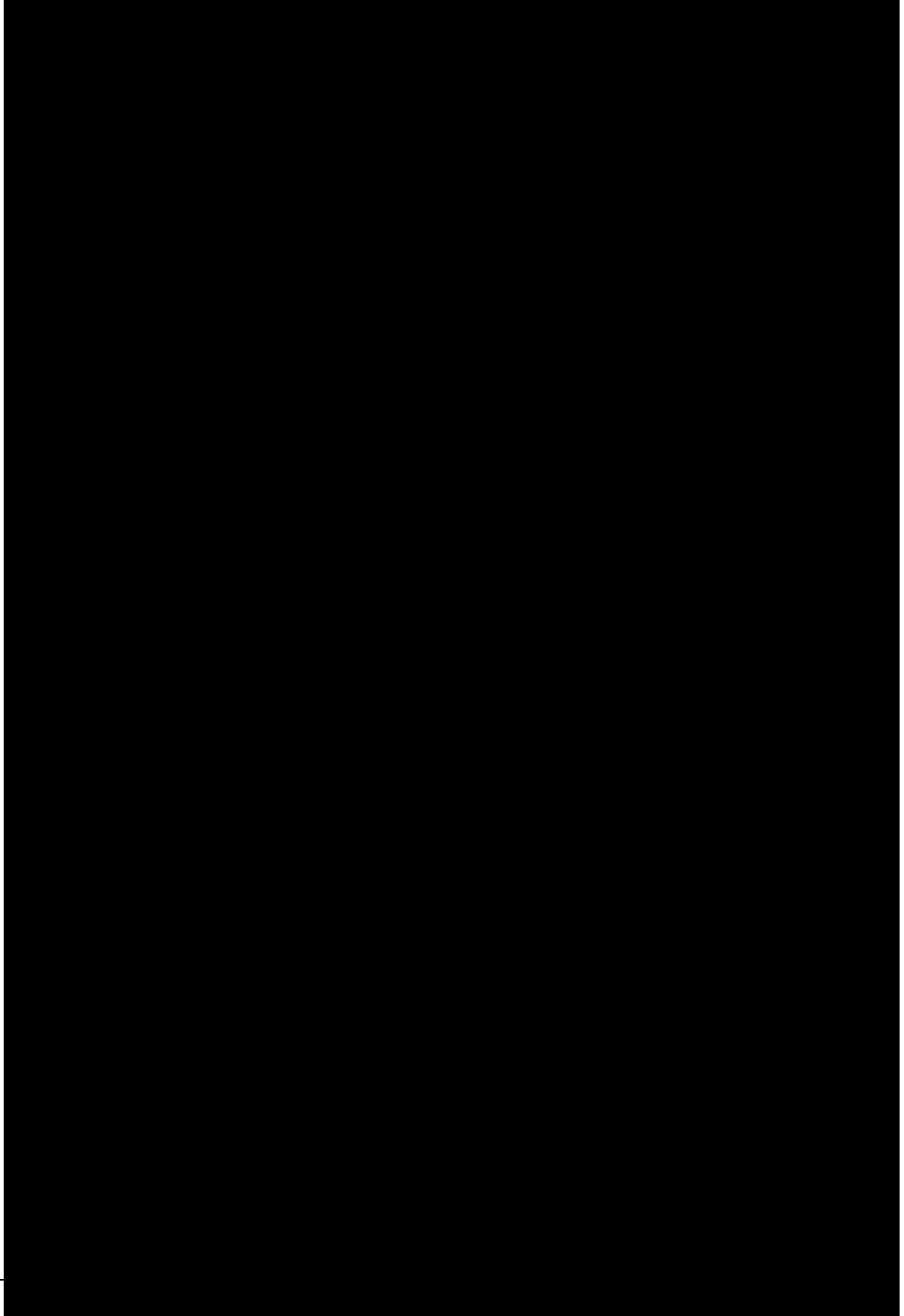




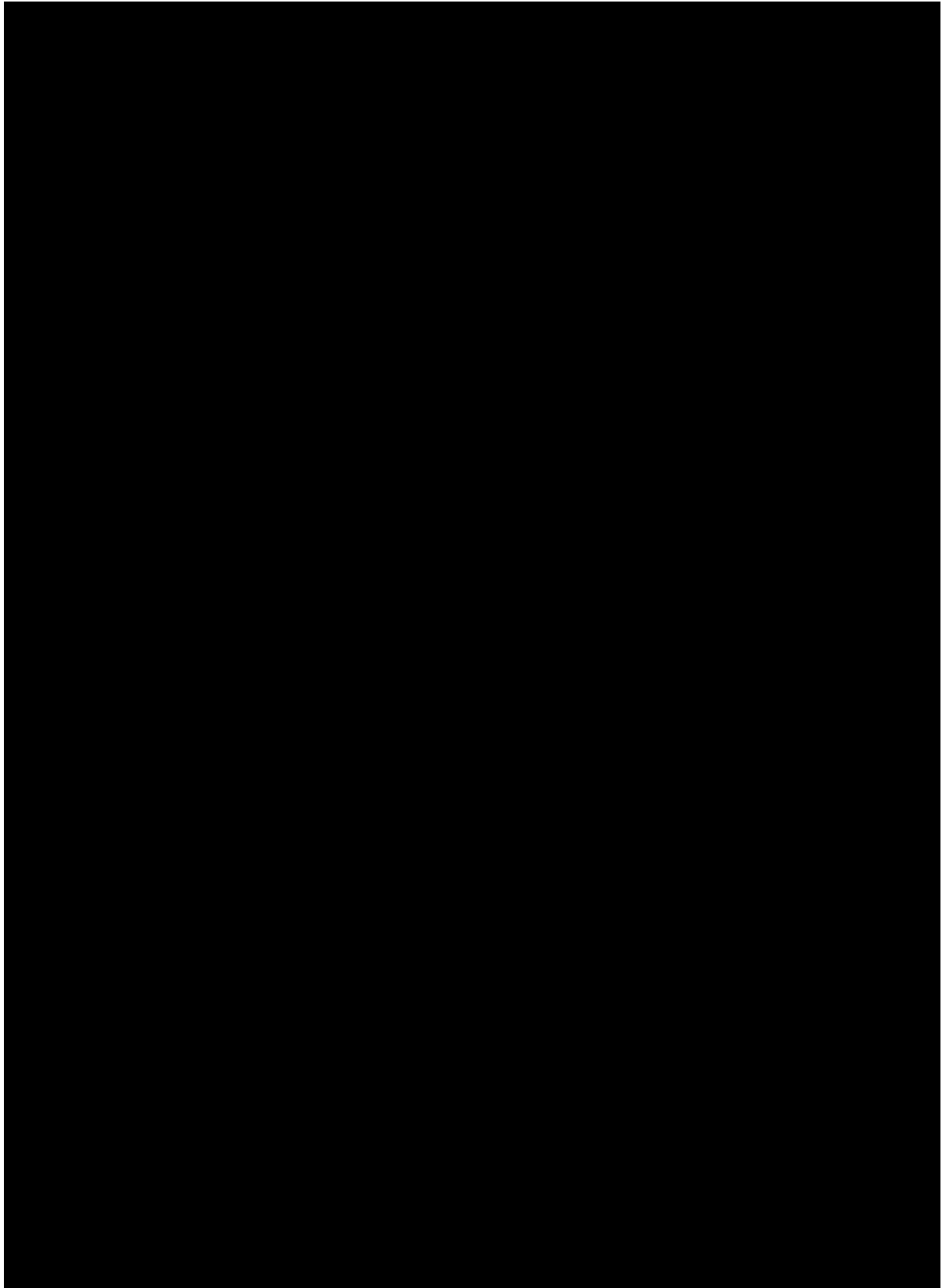


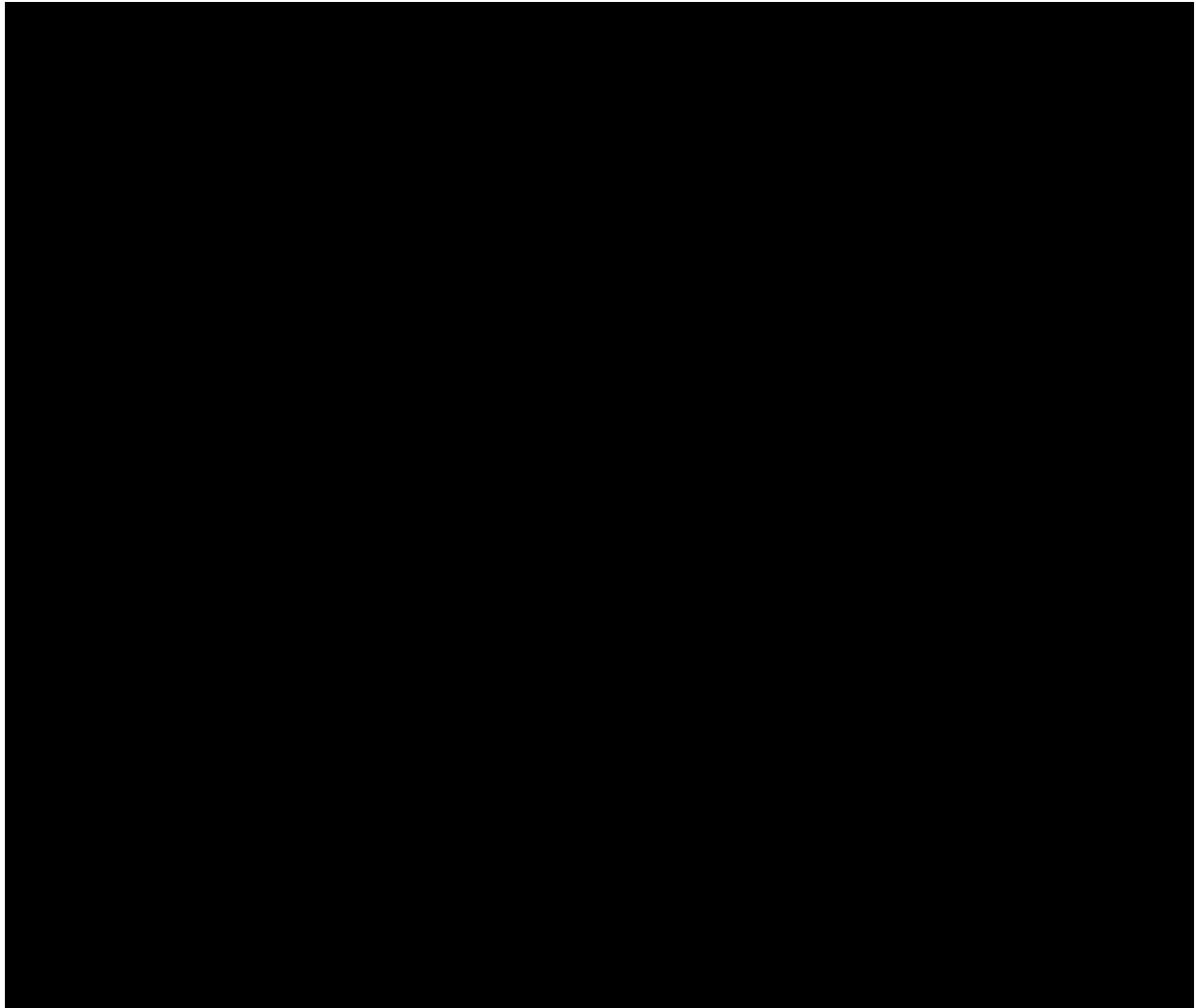


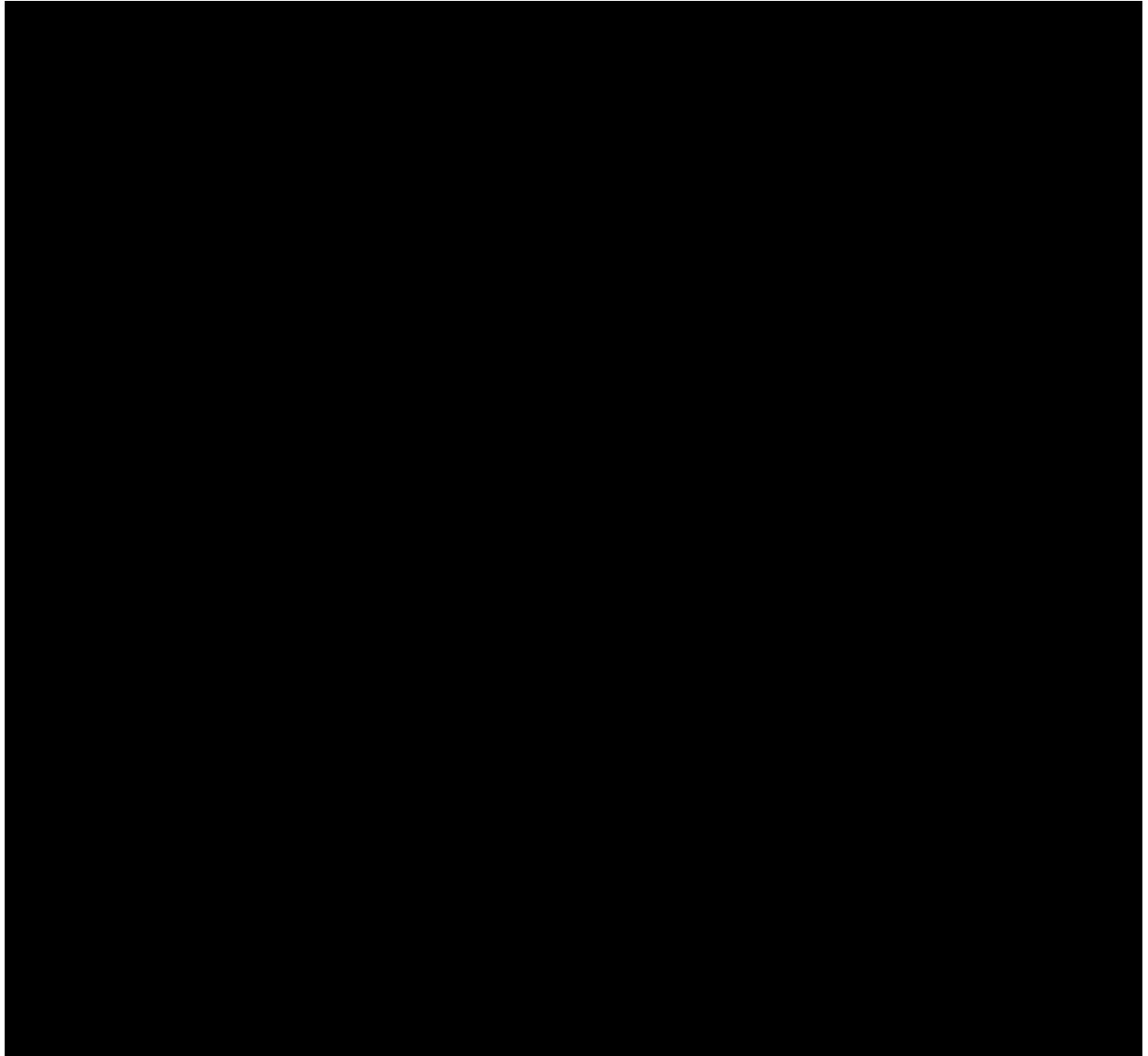


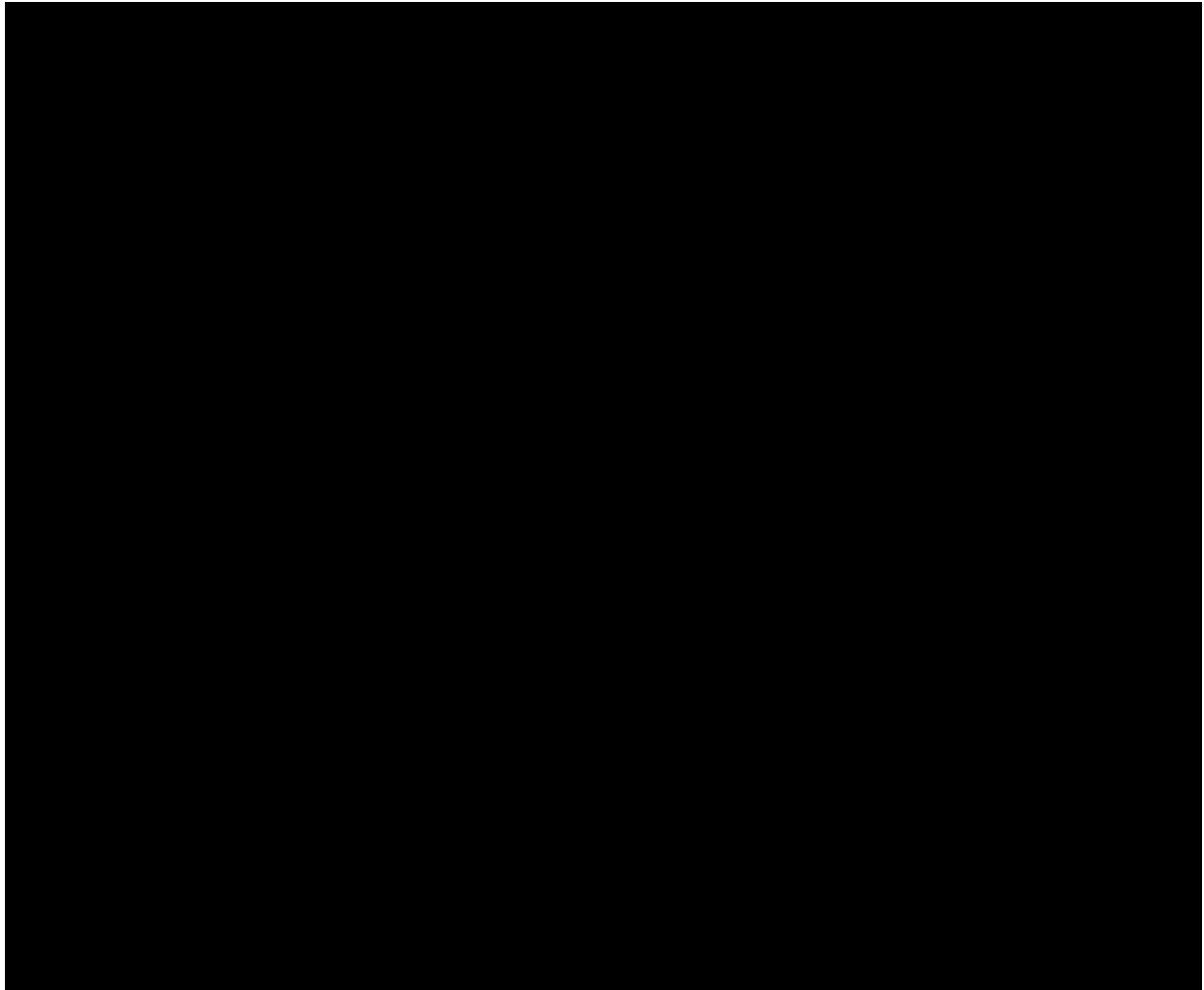


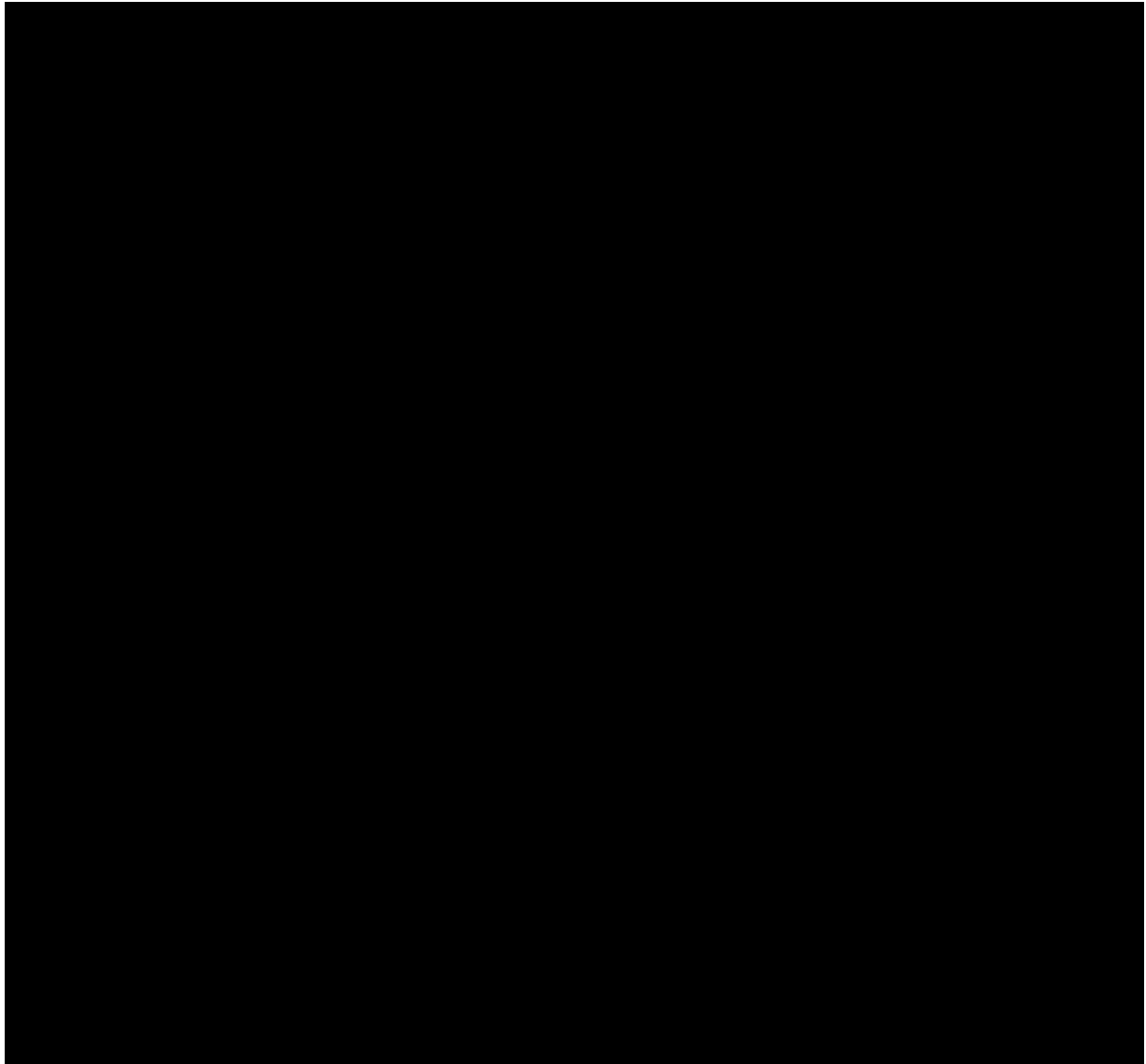
08.8 - Urban Renewal And Rural Development		-	-	-	-	-	-	-	-	-
08.9 - Smme & Business Support	74	106	-	-	-	-	-	-	-	-
08.10 - Trade & Market	-	-	-	-	-	-	-	-	-	-
08.11 - Tourism Development	-	-	-	-	-	-	-	-	-	-
Vote 09 - Economic Dev,tourism & Agric	4	2	-	30	30	30	22	23	25	-
09.1 - Resort: Oberon	-	-	-	-	-	-	-	-	-	-
09.2 - Resort: E/fore Shore	4	2	-	-	-	-	-	-	-	-
09.5 - Local Economic Development	-	-	-	30	30	30	22	23	25	-
09.6 - Tourism	-	-	-	-	-	-	-	-	-	-
09.7 - Resorts	-	-	-	-	-	-	-	-	-	-
Vote 10 - Public Safety	-	-	6 208	14 117	11 978	11 978	5 892	6 189	6 502	-
10.1 - Director Public Safety & Social Services	-	-	-	-	-	-	-	-	-	-
10.2 - Mng Traffic & Security Services	-	-	-	-	-	-	-	-	-	-
10.3 - Traffic: Administration	-	-	894	520	765	765	1 089	1 148	1 210	-
10.4 - Public Transport	-	-	-	-	-	-	-	-	-	-
10.5 - Licensing Drivers Licenses	-	-	3 713	4 819	4 819	4 819	1 795	1 892	1 994	-
10.6 - Trade Licensing	-	-	212	261	261	261	130	137	144	-
10.7 - Vehicle Licensing	-	-	1 280	6 000	6 000	6 000	2 245	2 366	2 494	-
10.13 - Libraries	-	-	35	33	33	33	437	439	441	-
10.14 - Social Welfare	-	-	-	-	-	-	-	-	-	-
10.15 - Sports & Recreation Facilities	-	-	75	85	101	101	105	111	117	-
10.16 - Disaster Management	-	-	-	300	-	-	-	-	-	-
10.17 - Fire Services	-	-	-	2 100	-	-	92	97	102	-
Total Revenue by Vote	2	783 079	933 387	1 026 504	1 219 454	1 212 762	1 212 762	1 394 012	1 534 394	1 643 239
Expenditure by Vote	1									
Vote 01 - Executive Council		34 864	35 832	32 857	31 993	31 830	31 830	34 800	37 092	39 536
01.1 - Council's General Expenses		21 985	28 568	32 857	31 993	31 830	31 830	34 800	37 092	39 536
01.2 - Office Of The Speaker		1 105	1 393	-	-	-	-	-	-	-
01.3 - Office Of The Executive Mayor		4 113	4 776	-	-	-	-	-	-	-
01.4 - Office Of The Whip		7 661	1 094	-	-	-	-	-	-	-
Vote 02 - Municipal Manager		11 627	16 472	24 338	34 994	32 120	32 120	32 840	34 288	37 027
02.1 - Office Of The Municipal Manager		2 389	4 228	3 477	3 974	3 548	3 548	4 660	4 946	5 294
02.2 - Executive Mayor Administration		636	324	8 147	8 762	9 077	9 077	8 704	9 228	9 800
02.3 - Speaker's Office Support		-	-	2 537	6 023	5 330	5 330	4 877	4 633	4 904
02.4 - Whip's Office Support		-	-	684	1 320	908	908	744	790	849
02.5 - Marketing And Communications		1 211	1 634	2 526	3 531	3 323	3 323	3 121	3 309	3 619
02.6 - Performance Management Unit		886	885	1 926	3 546	2 534	2 534	5 201	5 499	6 048
02.7 - Integrated Development Planning Unit		1 874	2 214	1 685	3 430	2 129	2 129	1 976	2 101	2 250
02.8 - Project Management Unit		2 704	4 678	-	-	-	-	-	-	-
02.9 - Internal Audit		1 926	2 510	3 356	4 408	5 272	5 272	3 557	3 783	4 263
Vote 03 - Chief Operating Officer		1 113	906	3 492	2 247	4 200	4 200	4 067	4 323	4 706
03.1 - Chief Operating Officer		1 113	906	3 492	2 247	4 200	4 200	4 067	4 323	4 706
Vote 04 - Corporate And Support Services		40 543	31 173	49 632	60 900	58 158	58 158	64 035	67 985	74 843
04.1 - Director Corporate Support Services		1 046	1 167	422	2 530	144	144	1 875	1 994	2 121
04.2 - Human Resources		6 048	(3 092)	(562)	12 209	12 024	12 024	14 645	15 760	19 596
04.3 - Human Resources Development		234	230	-	-	-	-	-	-	-
04.4 - Skills Development		-	-	-	-	-	-	-	-	-
04.5 - Auxiliary Services		6 217	6 834	8 004	12 293	10 633	10 633	9 979	10 579	11 216
04.6 - Building Head Office		2 751	2 773	3 088	2 734	4 053	4 053	4 167	4 418	4 685
04.7 - Building Hartbeespoort Office		55	57	68	-	-	-	-	-	-
04.8 - Building Satellite Office		151	236	258	1 047	774	774	272	289	307
04.9 - Committees Function		43	-	-	-	-	-	-	-	-
04.10 - Legal Administration		11 304	5 853	13 903	6 143	6 463	6 463	8 469	8 950	9 459
04.11 - Labour Relations		-	-	-	-	-	-	-	-	-
04.12 - General Legal Support		1	-	-	-	-	-	-	-	-
04.13 - Financial Systems Support		10 938	14 652	22 051	20 216	20 674	20 674	21 927	23 120	24 379
04.14 - Other It Systems Support		1 756	2 465	2 401	3 728	3 392	3 392	2 701	2 874	3 080

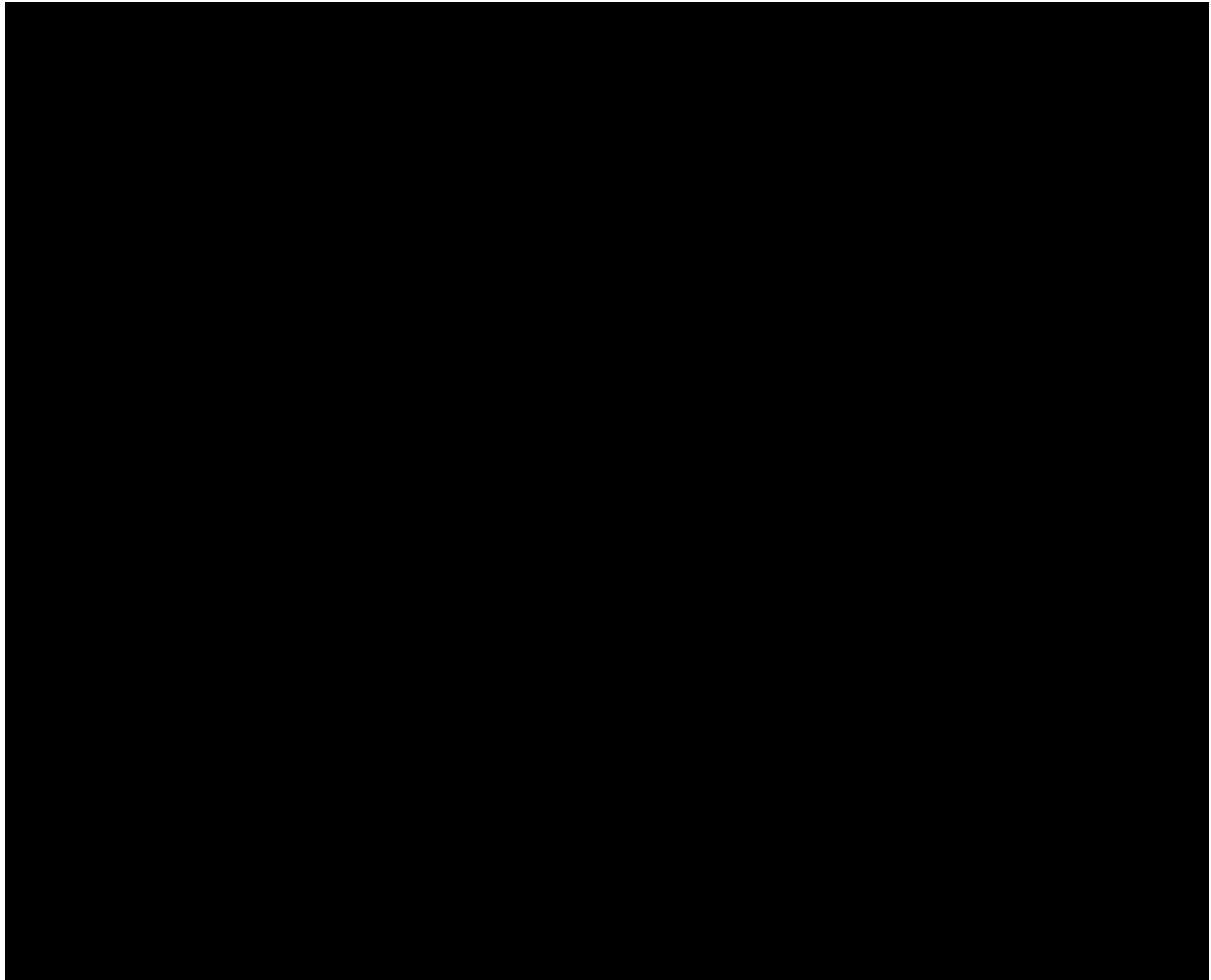


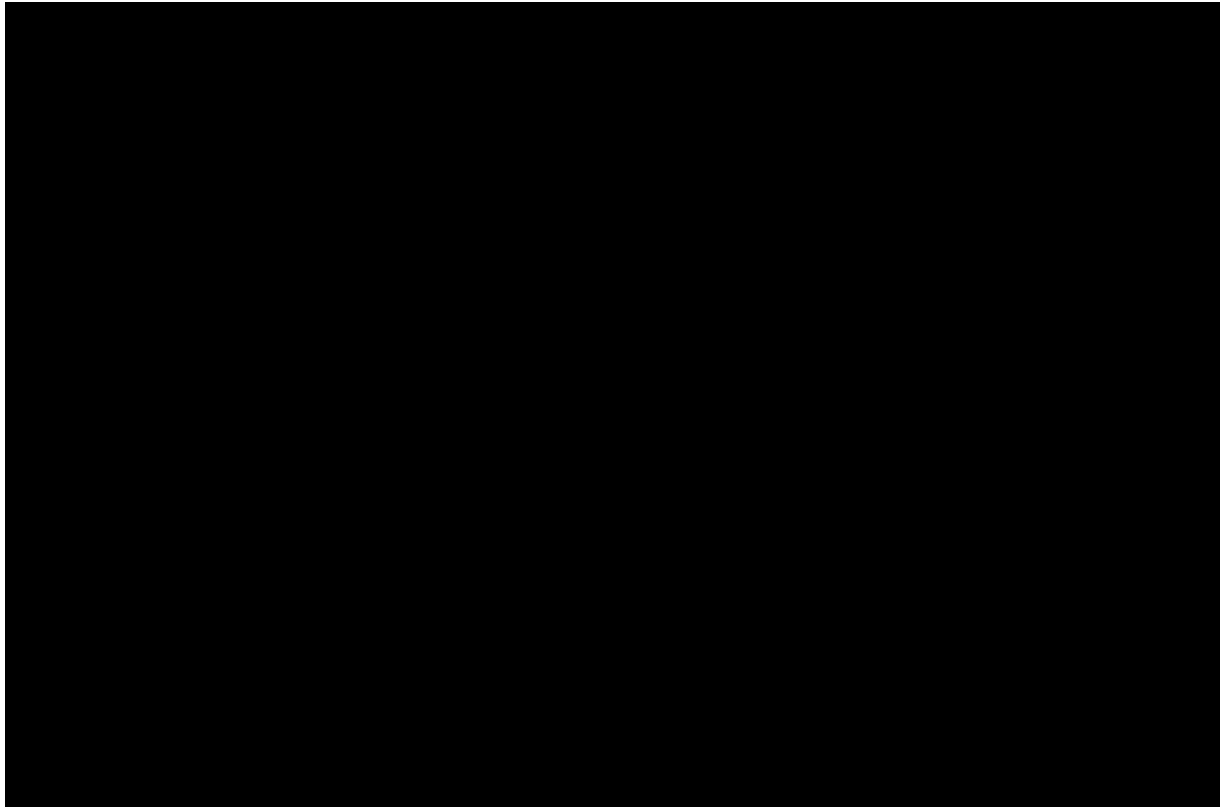


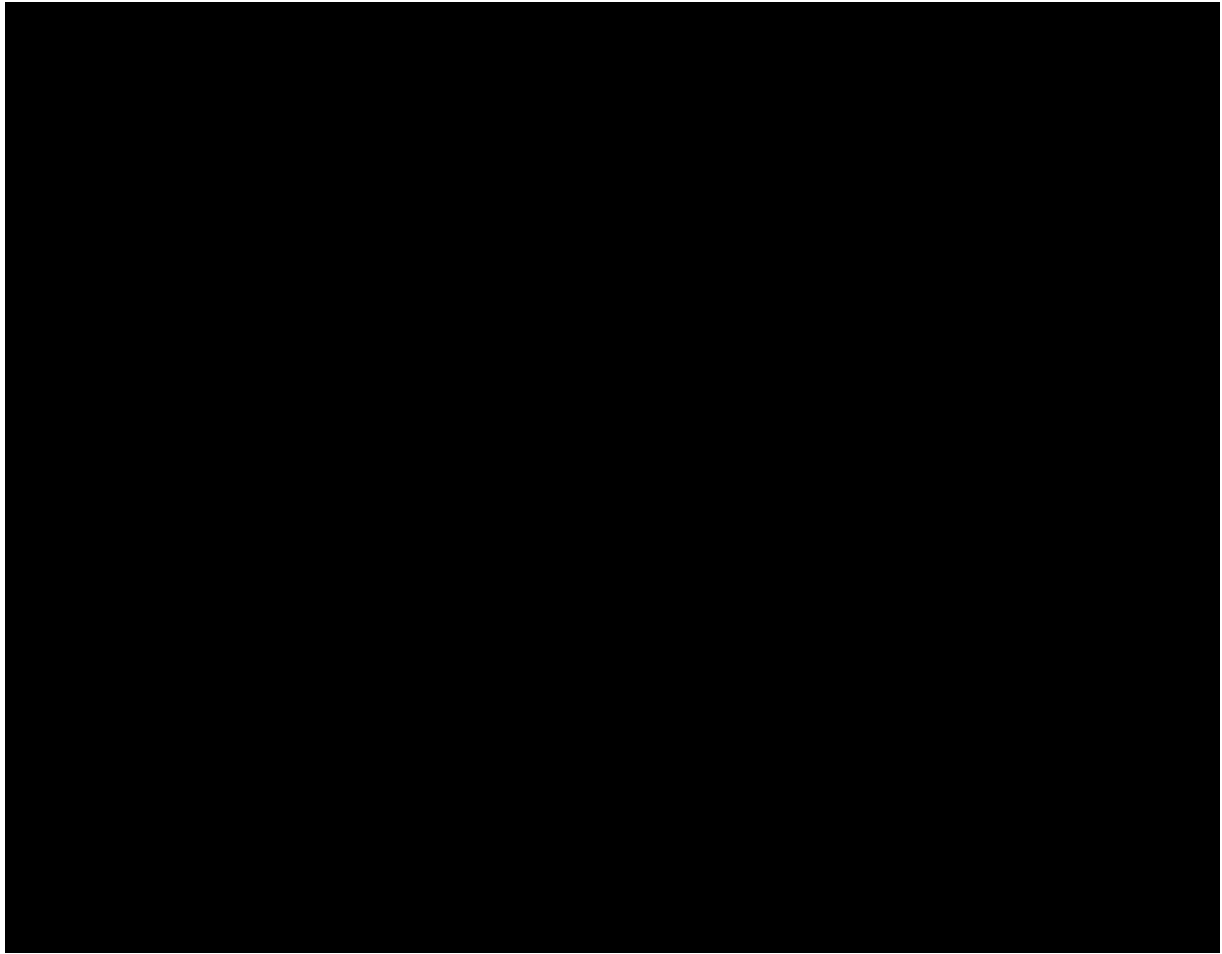


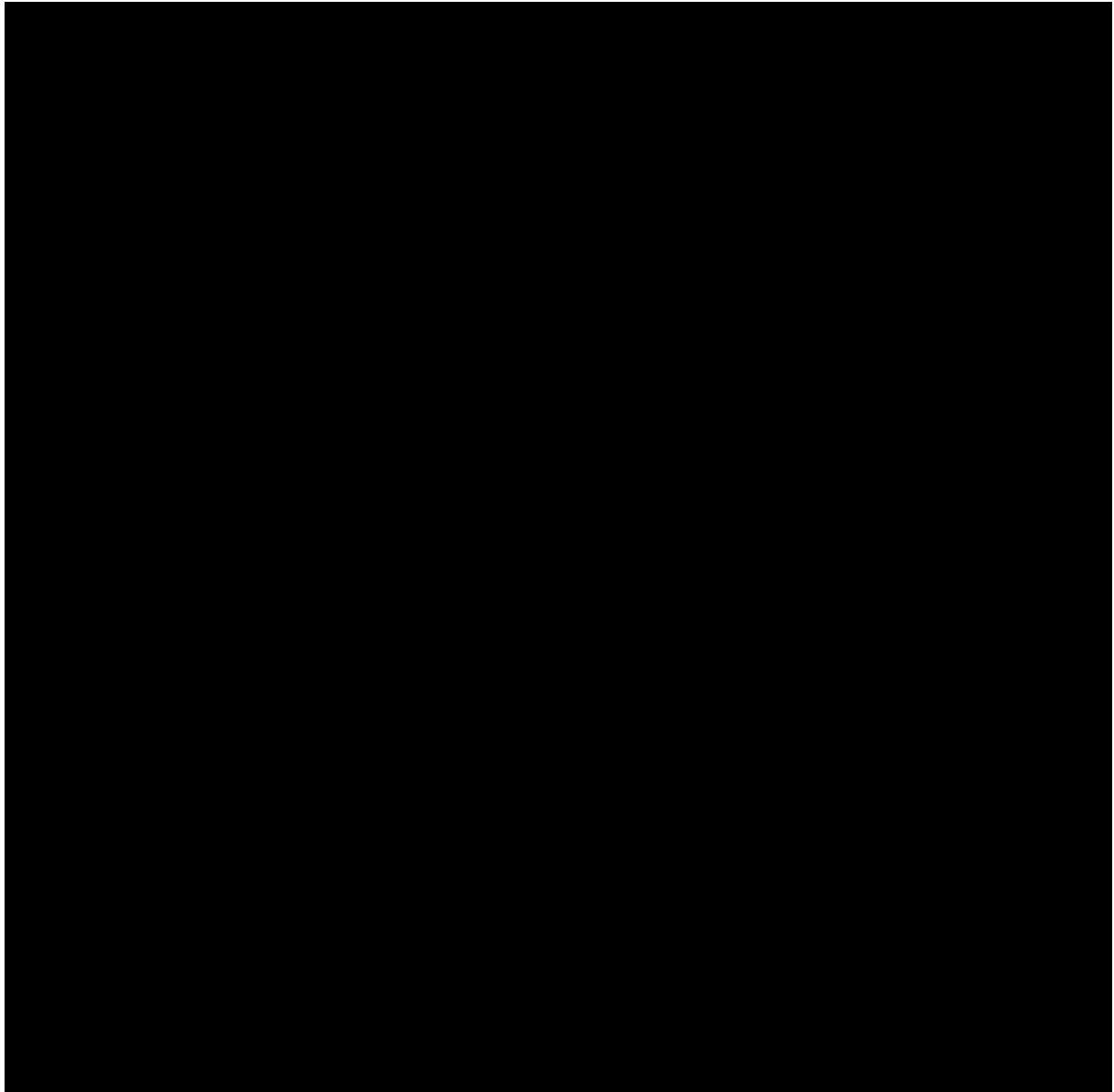


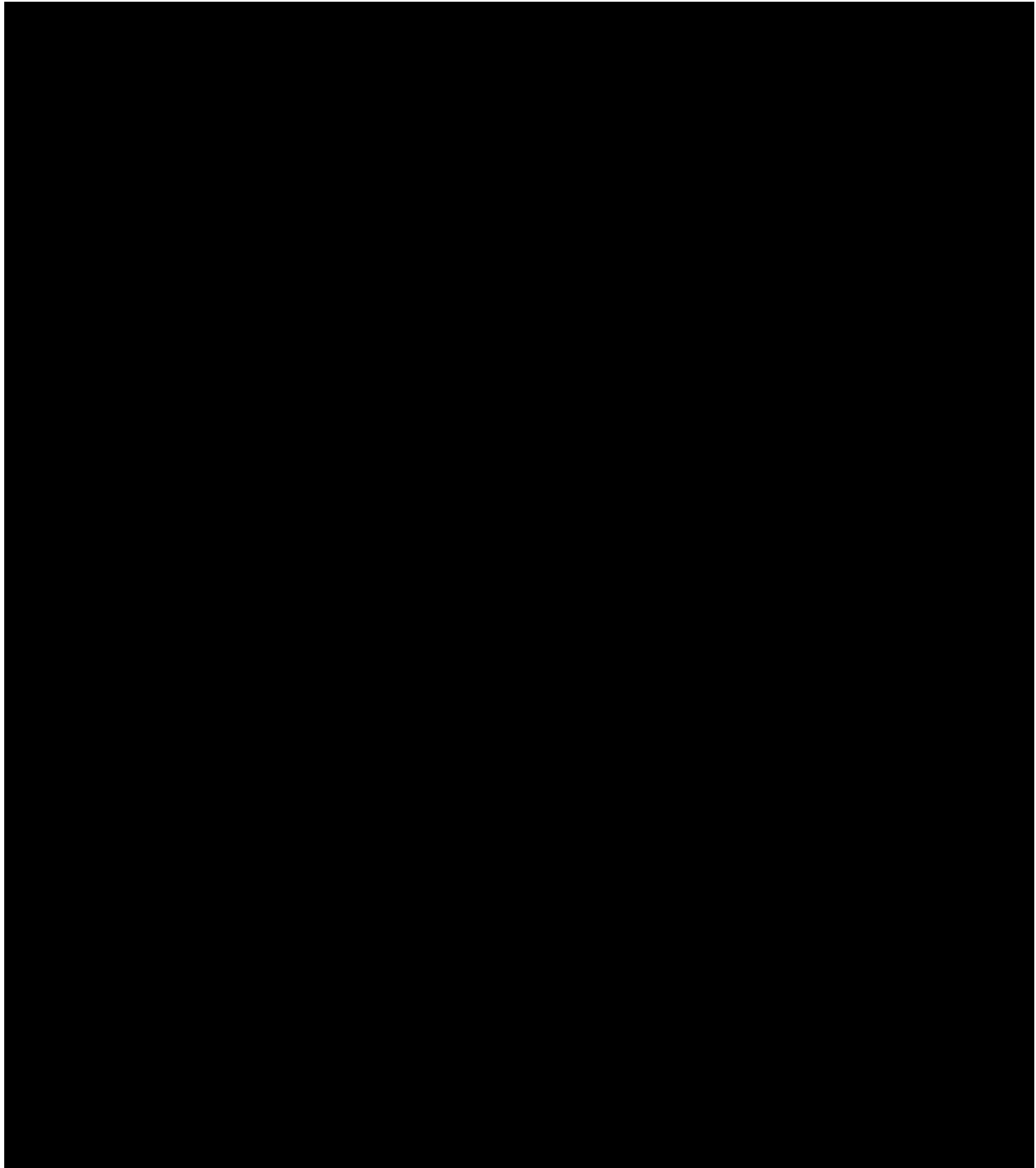


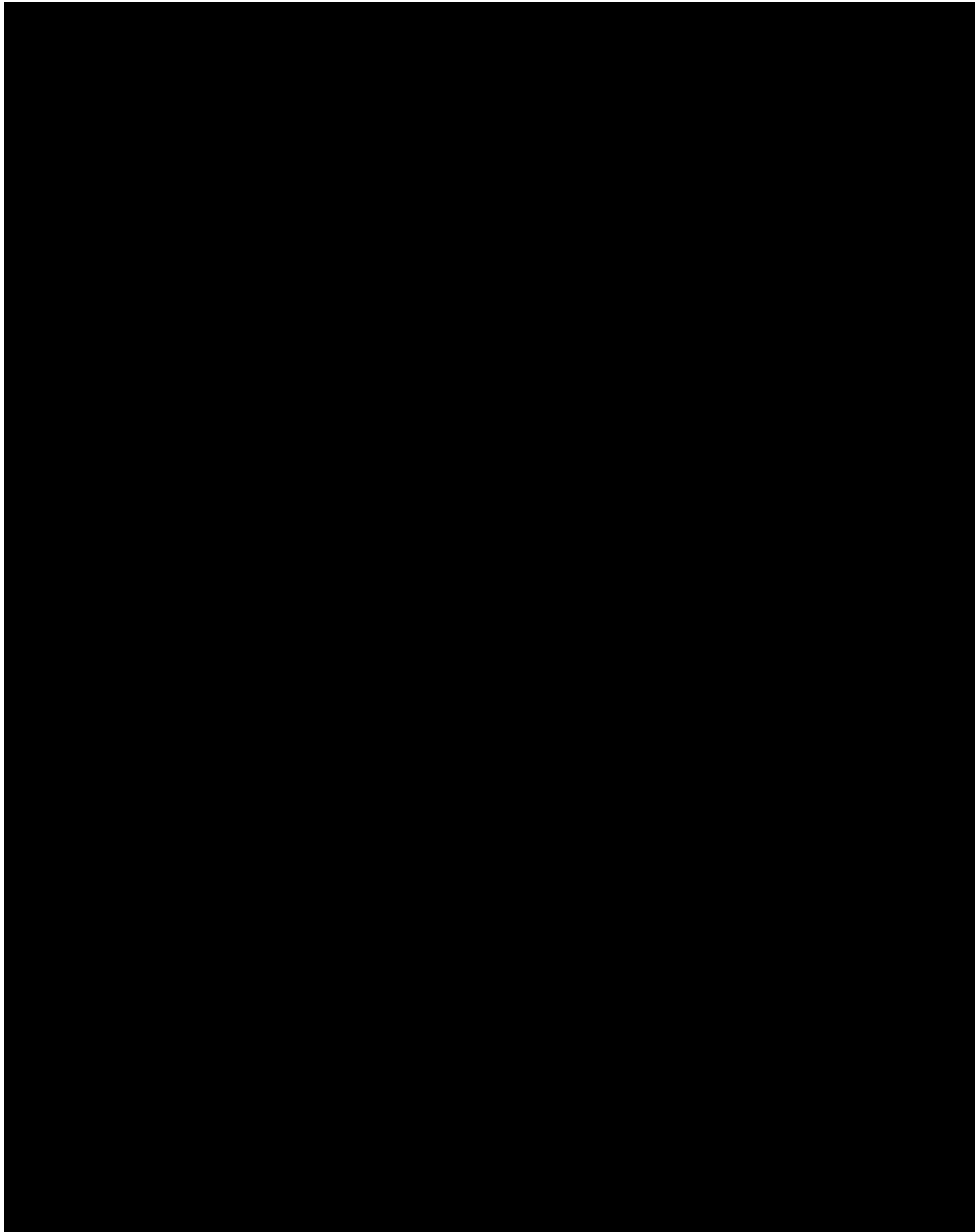














General expenses	3	83 595	65 407	57 808	104 961	76 468	76 468	76 432	79 840	80 617
Service Charges Departmental		16	–	–	–	–	–	–	–	–
Professional Expenses		95	5 560	16 648	2 000	13 652	13 652	12 200	11 170	14 309
Transport Expense: Fuel		2 771	4 310	4 319	3 540	4 585	4 585	4 450	4 690	4 944
Rental: Office Machines & Equip		2 056	2 594	3 023	3 000	6 400	6 400	6 700	7 062	7 443
Grant: P.M.U Operations		–	1 666	2 446	–	–	–	–	–	–
Telephone Rental & Calls		1 598	1 753	2 297	2 530	1 540	1 540	1 800	1 897	2 000
Ward Committees: Training & Support		164	593	1 366	1 500	1 500	1 500	1 500	1 054	1 111
Software/License Fees		123	2 266	3 566	3 000	850	850	1 300	1 370	1 444
Subsistence & Travel: Personnel		559	1 334	2 299	1 900	2 692	2 692	2 822	2 974	3 135
Statement: Printing & Posting		1 674	1 851	1 344	2 000	1 900	1 900	2 000	2 108	2 222
Advertisements		403	615	923	960	975	975	1 050	1 107	1 166
Vehicle & Equipment: Fleet		19	110	2 690	–	–	–	–	–	–
Rental: Vehicles		14	977	593	4 500	4 100	4 100	4 000	4 216	4 444
Rental & Calls: Internet		536	954	877	500	950	950	1 000	1 054	1 111
Mobile Chemical Toilets		–	–	1 831	800	800	800	–	–	–
Subsistence & Travel: Councillors		530	479	1 039	1 200	1 100	1 100	900	949	1 000
Brits Show		–	–	31	–	–	–	–	–	–
Youth Programs		403	806	859	800	655	655	400	422	444
Woman Program		–	–	559	600	600	600	400	422	444
Food For Waste Program		–	–	1 518	3 600	3 500	3 500	3 600	3 794	3 999
Stock-Write Off		1 093	481	172	500	500	500	–	–	–
Stock Surplusses		(366)	(297)	(145)	500	500	500	–	–	–
Total 'Other' Expenditure	1	95 283	91 459	106 064	138 391	123 267	123 267	120 554	124 128	129 833
by Expenditure Item	8									
Other materials		12 243	16 623	31 128	36 215	42 067	42 067	44 905	49 089	52 802
Total Repairs and Maintenance Expenditure	9	12 243	16 623	31 128	36 215	42 067	42 067	44 905	49 089	52 802

